



VWG WEALTH MANAGEMENT
A Hightower Company

June 2021 Ponderings & Musings -
Talking 'bout the Next Generation

“We nurture the highest in each other
without depleting the granary of our offering.
We pour ourselves out to make room
for the best is yet to come.”

- Nalini Priyadarshni

“If your portfolio is made up of the investments that you have made
in the lives of people, you will have amassed a wealth so vast that
all of the portfolios that will ever float the trading floor on Wall Street would,
by comparison, be reckoned as nothing.”

- Craig D. Lounsborough

“You wear the crown, but we are close to the kingdom.
We share the world, we share the air that you’re breathing.
So please be careful with the things that you’re wasting.
Don’t forget us, we’re the next generation.”

- Will Sparks, “Next Generation”

“I’m not trying to ‘cause a big sensation,
I’m just talking ‘bout my generation.”

- Pete Townshend, *The Who*

Catching Up with Justin Bacon

In the spirit of Father’s Day, we highlight our portfolio manager Justin Bacon. According to a t-shirt and two coffee mugs he owns, Justin is The World’s Greatest Dad! Justin is now in his third year at VWG. He specializes in investment strategy and portfolio construction, working closely with our advisors handling the day-to-day task of portfolio management.



Justin has broad experience in investments and entrepreneurship. He began his wealth management career at Fidelity as an advisor. Then in 2008, seeing a great business opportunity, and capitalizing on his bachelor's degree in Kinesiology, Justin became a very early franchisor of two CrossFit gyms. He owned and operated them for six years. Wanting more time for his young family and perceiving the competitive and pricing fundamentals of the fitness industry changing, Justin sold the gyms. Looking to reenter the wealth management industry, Justin then completed his MBA at the University of Maryland, and he earned the prestigious Chartered Financial Analyst designation.

Justin lives in Gaithersburg with his wife Melissa, their two children Brady age 6 and Evelyn age 5, and their dog Kaia. He spends most of his free time taking the kids hiking, biking, camping, and visiting grandparents. He began coaching Brady's T-ball team this spring. Justin is an avid NY Giants and Yankees fan. During brief periods of downtime, Justin enjoys reading and playing the guitar (*preferring Clapton, Page and Stevie Ray Vaughn to Townshend*).

It's A Girl Times Two!!!!!!

Twin next-generation Verfurth girls were born on May 26! Pictured are Kate holding Charlotte, and Ryan holding Bridget. Rescue pup Frankie fills out the young family. The proud parents are doing fine, with the caveat that they literally have their hands full. Sleep is currently not much of an option. Tickled-pink (*pun intended*)grandparents John and Susan Verfurth are ecstatic! Please join us in welcoming the twins, and in sharing our deep happiness for the entire Verfurth family!



Juggling the Potential Pros and Cons of Cryptocurrencies and Digital Assets

No investment letter perusing the next generation would be complete without a mention of digitization and cryptocurrencies. Mountains of information have been written, spoken, and tweeted about bitcoin and various digital assets over the past five years. Since bitcoin debuted in 2009, the number and types of digital assets has exploded to include cryptocurrencies, stablecoins, programmable blockchains, and non-fungible tokens (NFTs). Detailed primers on the underlying technologies are

widely available. These are often accompanied with generous helpings of positive or negative hyperbolic narratives.

VWG Wealth Management is no expert to all the technicalities and potential applications of bitcoin and digital assets. There currently are very limited, sub-optimal avenues in which we can provide client exposure. We currently do not hold an actionable stance for clients. After deliberation and repeated requests, here is our initial shot at expressing our views in writing. We thought it best to do so as a list of potential positives and negatives.

BITCOIN and other CRYPTOCURRENCIES as an investable asset

Potential positives –

- Completely decentralized, fully transparent, with a fixed known maximum quantity
- Transportable, anonymous, tamper-resistant
- Maturing market, institutional adoption, with bitcoin futures and option exchanges
- Potentially a transformative network and technology upon which other applications can be built
- Potentially a legitimate store of value
- Possibly a portfolio diversifier

Potential negatives -

- Transactional volume limited and costly – not suitable for massive small transactions
- ‘Value’ difficult to discern, accompanied by periodic sharp price volatility
- Direct ownership not physically connected, risk of complete loss if one loses their private key
- Alternatively, it must be custodied, thus voiding the ‘zero-trust’ feature

- In many countries, using it in a purchase transaction incurs a taxable realized gain or loss
- Thus, it is not a viable alternative 'currency'
- Promoted by ravenous proselytes pushing 'anti-central bank' and 'sky is falling' narratives
- Susceptible to unknown future regulation by governments worldwide
- Continuing costs and energy demand will be required to maintain the network even after all 21M bitcoins are mined. Conflicts with some ESG mandates.
- Claims of 'unhackability' are unchallenged and unproven (e.g. future quantum computing)

BLOCKCHAIN TECHNOLOGIES and other DIGITAL ASSETS

Potential positives –

- Transformative potential to affect change in a wide swath of industries and areas
- Examples include decentralized finance, financial disintermediation, smart contracts, imbedded payments, cost reduction, broadening access, improving transparency, other possibilities beyond current conceptualization.
- Incredible amount of talent and resources have poured into this space over the past five years

Potential negatives –

- Most protocols and deployments are extremely early stage, almost a 'wild west' environment marked by very thin pricing (bid/ask)
- Highly complex and high risk – difficult to understand quickly changing technologies
- There will inevitably be some large winners but many losers
- It is possible that part of the current froth in the space could be a function of massive global liquidity, leading to excessive valuations

- Uncertain and surely changing regulatory issues
- Achievement of interoperability with new and legacy systems and networks

With so much uncertainty, and possibly great potential, how should prospective investors create a rational decision framework? VWG believes that reviewing the financial plan, and probing one's psyche, are critical initial steps. These questions should be asked:

What is my reason for wanting to commit capital?

- First mover/earlier adopter, fear of missing out (FOMO), participation in what could be a transformative set of technologies and networks, greed/speculation

How much should I invest?

- Appropriate sizing is a central key to risk management. How will my financial goals be affected if my investment becomes worthless?
- If the rationally appropriate sizing is quite small, how much will my investment need to appreciate to make a meaningful impact on my reaching my financial goals?

If I invest, how will I manage the position(s)?

- It is critical to understand if one is speculating (buying on the assumption it can be sold at higher prices) or investing.
- Strategies for managing losses, taking gains, possibly making a choice to HODL (hold on for dear life), should be formulated in advance and systematically revisited.

VWG's bottom line at this time, subject to change of course, is that it remains to be seen if our typical client should commit capital to digital assets. The space is moving extremely fast and holds great promise. Predicting the future, picking the winners and losers, and separating the hype from reality, will be very difficult. VWG will continue to study, evaluate and search for prudent investment opportunities that are mindful of the potential risks.

Here are some resources for those wanting to learn about some of the terms and concepts we've mentioned, and for those wanting to explore further.

- UNICEF Blockchain Learning Hub ([link](#))
- Forbes Eleven Free Courses to Learn Bitcoin, Blockchain and Cryptocurrencies ([link](#))
- Goldman Sachs Top of Mind ([link](#))
- Laura Shin's UnChained Podcast ([link](#))

Financial Tips for Young Professionals

It is hard to gather our COVID-19 clouded minds to the realization that another graduation season is here. VWG celebrates all graduates reaching this achievement and important milestone, particularly considering the unique challenges that the pandemic has added. Welcome to adulthood! You may not realize that embarking on a full-time job entails another set of goals, and financial responsibilities. Understanding (and maximizing) employer benefits, paying off student loans, and building an emergency fund are just part of these. Here are a few areas to focus on initially. While financial success isn't achieved overnight, a rewarding financial journey can be established by embracing financial independence now. If you need some extra coaching and advice, please reach out to your family's VWG advisor.

Create a budget. Learning to build and live on a written budget is a foundational first step to managing your finances. Knowing your net monthly income and where your money is going is critical. Track all of your expenses for a couple months to see how much you are spending across categories (food, wireless service, entertainment, travel, etc.). This will help you to identify areas where you might be overspending. Creating a spending plan that prioritizes some level of savings is an important habit to form early in your career. A reliable rule of thumb is a 50-30-20 spending plan, 50% on essentials, 30% on discretionary and 20% going to savings (building your emergency fund + retirement savings).

Pay off debt. For those graduating with student loans, your first payment is due 6 months post-graduation. If you've also built up credit card debt, work a plan into your budget to pay these down. Credit cards charging the highest interest rates should be paid off first.

Build an emergency fund. An emergency fund is your first line of defense against unanticipated expenses or emergencies. Aim to build up 3-6 months of living expenses (based on the budget you've now created) in your emergency fund. At first it will be a daunting task. There will be some setbacks along the way. You may need to revisit your budget and trim back some discretionary purchases. Longer term, the peace of mind and flexibility your emergency fund will provide will pay huge dividends.

Build Credit. Your credit score is one of the most important aspects of your financial life and will either serve as a tailwind or headwind in your financial journey. Your credit score impacts whether you are approved to buy a car, rent an apartment without your parents' countersignature, or take out a home loan – it also impacts the interest rate you will pay on these purchases. The best way to build a strong credit score is to pay your bills on time and make sure to pay down your debts. Be responsible with your credit cards and check your credit report regularly.

Learn your employer's benefits. Your new employer may offer health insurance, disability insurance, matching company retirement contributions or student loan repayment assistance. The features and options of these can be confusing, so enlist the help of your parents, friends, and your family's VWG advisor before making any selections. When it's time to enroll in your company's retirement plan, see if your employer offers a matching contribution. While it is suggested that all should take full advantage of any company match, it is prudent to first pay down debts and build an emergency fund. You can gradually increase your retirement savings rate over time.

[Hightower Webinars](#)

We continue to provide access to professionals on a variety of topics as they are available. Hightower recently hosted a relevant and timely webinar for multi-generational families.

Developing a Framework for Healthy Generational Wealth Discussions

It's never too early for families to start a dialogue with younger generations around issues relating to money and wealth, laying the groundwork for more complex conversations in later years around estate planning and inheritance concerns. This webinar focuses on facilitating productive financial discussions to strengthen family relationships through every stage of your financial life. It addresses the generational differences in attitudes about money that inform decision-making. It tries to help you reflect and communicate your wishes and fears to family members in advance of major life changes.

Speaker: ***Tobias Donath, Senior Vice President, Fidelity Center for Family Engagement***

The replay will be available soon. If you are interested in receiving it, please email VWG@hightoweradvisors.com and we will be happy to send it to you.

This June our hearts and congratulations go out to World's Greatest Dads and graduates everywhere. They are inexorably entwined, thanks to our father's selfless time spent nurturing and being present with our youths. We thank you both for what you are, and what is to become. Best wishes to all in getting outdoors, revisiting some freedoms, enjoying time with family and friends.

Take care, remain safe!

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Please reach out to us if you have any questions or comments.

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