

Fact

Although 529 college savings plans have been available since 1996, only a small portion of families uses them to pay for college.

Source: Sallie Mae's national study,
How America Pays for College

"Financial freedom is available to those who learn about it and work for it."

Robert Kiyosaki



Cryptocurrencies And Bitcoin: What Are They?

By: Jason Eliason, CFP®, ChFC®, CFA®

By now you have probably heard a lot about cryptocurrencies, but do you really know what they are? In their simplest form, they are digital assets that are used as a medium of exchange; they are a payment system.

Bitcoin was invented in late 2009 and makes up over half of the cryptocurrency market cap. Bitcoin, plus the other top five cryptocurrencies (ethereum, bitcoin cash, ripple and litecoin), make up about 83% of the market. Interestingly, there are over 1,300 cryptocurrencies in existence. Within the top five, each is a little different from the other, or at least serves a slightly different purpose.

The late 1990's ushered in the era of digital money, or electronic cash, which was the incubator for the birth of cryptocurrencies. For about 10 years, a number of electronic cash systems were developed and later failed all for the same major reason: they failed to protect against a person's ability to continually spend the same digital currency repeatedly, also known as double spending. This system used a centralized clearinghouse to maintain a real-time ledger of all transactions. All of the transactions needed to be centrally verified, which took a great deal of time.

What made bitcoin different and ultimately led to its success, and the success of the cryptocurrencies that followed, was the ingenious solution of preventing double spending. Bitcoin eliminated the need for third-party clearinghouses by publicly distributing the ledger (transaction records). The key was an open-source software and a decentralized, peer-to-peer network for verification that was linked and secured using cryptography. For a decentralized system to work, all of the networks must identically match all the time, and in order to do so, they all have to house every single entry, or transaction, of the ledger. Thus, instead of relying on one centralized system, everything is spread out to enable multiple networks to verify a transaction. Bitcoin now created a computing system with high speed to make cryptocurrency useable by the masses. This technology is known as blockchain.

What makes bitcoin and other cryptocurrencies appealing is the ability to use them as money without some of the limitations of fiat-based money. Cryptocurrencies are more secure than using a bank or credit card and done at a lower cost than what credit cards charge; however, the transactions are irreversible. They are also very fast, global and not controlled by any government; thus, it cannot be manipulated by governments or other entities. They are also pseudonymous and permissionless. Although the ledger is public, neither accounts nor transactions are connected to your identity. You do not need anyone's approval to use cryptocurrencies; it's as easy as downloading the free software. There are a number of reputable businesses that accept bitcoin as a form of payment, such as Microsoft, Expedia, Dish Network, Overstock.com and Subway. Of course, all of the benefits of cryptocurrencies also make them desirable for those looking to do things outside of the law. Much has been made of the nefarious activities that are utilizing cryptocurrencies.

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Cryptocurrencies And Bitcoin: What Are They? (Continued)

Many economists, politicians and central banks have expressed concerns that cryptocurrencies, like bitcoin, are just a modern form of a Ponzi scheme. There is also a strong belief that speculation is causing a bubble in cryptocurrencies. There is a limited amount of supply and demand is quite high. We have seen bitcoin increase in value by more than 1,000% in 2017.

The rise in the value of cryptocurrencies has more closely followed that of a speculative investment than a currency backed by a developed country. Bitcoin and other cryptocurrencies have been extremely volatile in price. You must remember, they could go to zero at any moment. There is not an asset backing it or government supporting it. What it has though is a strong following of people that believe in it. What happens if they go away?

Despite the concerns, cryptocurrencies are here to stay; however, we need to see them become less speculative and much more of a medium of exchange if they are really going to become digital cash. They need to exhibit very low volatility and be much more widely accepted by vendors. This will happen when governments regulate the market of cryptocurrencies. At that point, they will no longer be used as a means of speculation for future growth. The value will fall considerably, which is one of our most significant concerns about owning cryptocurrency today. We believe they are going to be worth less in the future than they are now; however, once that devaluation happens, we believe they will become a mainstream form of currency.



Quick Facts About Powers Of Attorney

By: Charlie Kerwood, CFP®, ChFC®, AEP®

Everybody should have a power of attorney. But not everybody knows exactly what it is or why it's so important.

A power of attorney is a legal document that empowers a person you trust to handle your financial affairs if and when you become incapacitated. While you're up and around, the document just sits in a file. But if you're in an accident, where suddenly you can't act on your own behalf, this is where a power of attorney becomes handy. The document allows somebody else to make decisions on your behalf—usually temporarily until you can start handling your own affairs again. At that point, the document goes back in the file, and you're back in charge.

A **Limited Power of Attorney** is used when you want someone to act on your behalf only in a certain circumstance. A **General Power of Attorney** is more powerful because you're giving someone else the power to act on your behalf whenever you're unable to manage your own affairs. But either way, when the power of attorney is triggered, it can be used for all legal and financial matters.

Who would draw up this important document? You should consult an attorney; many of them will have a template document that they can modify to your specific circumstances. The key is finding a person you really trust to handle things on your behalf—and then hope you never need them to.

If you have any questions on this or any other matter regarding your financial affairs or circumstances, please call to schedule an appointment with one of our Certified Financial Planners®.

Source:

<http://www.stretcher.com/stories/15/15may25c.cfm>

3 Misconceptions about Powers of Attorney

Misconception	Fact
You can sign a power of attorney (POA) if you are legally incompetent.	You cannot sign a POA, or any legal document, if you are legally incompetent. This is another reason why you should act sooner rather than later.
You can find a POA document on the internet.	Yes, legally you can download a POA document from the internet; however, they are not recommended because the document may not be current, it's too general, likely won't represent the details that are appropriate to your situation, and may not cover the legal requirements of your state.
A Durable POA survives death.	All powers of attorney terminate at death.



Sell It Or Rent It? Consider Capital Gains First

By: Chris Olsgard, CFP®

The process of selling your home can be overwhelming. Especially in today's market where it's common for a home to sell within the first week of being listed. While signing a sales contract can certainly be a relief, feelings of euphoria quickly fade when the seller realizes they must move out and find a new place to live... likely in short order and possibly in an entirely new and unfamiliar area. Several times in the past year I've worked with clients who are desirous of selling their home and moving to another – either to shorten commute, increase space for a growing family or simply change locations. Of these clients, many have paid rent in the past and think being a landlord could prove profitable; or they have realized tremendous growth in the value of their property and believe the trend will continue for years to come. So why sell now? After all, some of the most desirable areas in central Ohio, and around the country, have appreciated in value by almost 50% since real estate started its recovery in 2012.*

As an investment and tax advisor, I appreciate the benefits of real estate investing, but before you decide to become the next great real estate mogul, you should consider a great tax loophole that is only available for the first few years following your decision to move out of your primary residence. Under this particular section of the tax code, you could potentially avoid taxes on all appreciation you experienced while owning the property.

This leads me to the erroneous assumption where many people think their primary residence is not subject to capital gains tax when they sell. While this is certainly true in most cases, the tax code actually stipulates that a home seller is only eligible to exclude from capital gains taxes the first \$250,000 of profit. This exclusion doubles to \$500,000 for those who are married and filing jointly. In order to qualify for the full exclusion amount, the seller(s) must have owned and occupied the home as their primary residence for at least two of the past five years. *It's important to note the IRS requires both spouses to satisfy the two-year requirement in order to be eligible for the full \$500,000 exclusion; however, the two-year requirement does not need to be satisfied during the same period for each spouse.* As unique as it might sound, I've actually come across a scenario recently where a married couple did not qualify for the full \$500,000 exclusion. In this particular case, the home was owned and occupied exclusively by one spouse prior to their marriage, and subsequent cohabitation.

The "Two-year rule" is only one of several considerations that should be factored into any decision to hold onto a property as an investment:

- ✔ Does the property make sense as a rental? Often times the rate of return on a rental property is at or below what has historically been achieved by the stock market.
- ✔ Do you want to be a landlord? Will you actively manage the property or hire a separate manager to do so on your behalf?
- ✔ If you're going to manage the rental yourself, does the decision anchor you to a specific location?
- ✔ If you hold the property past the three-year mark and don't qualify for the exclusion, mandatory recapture of depreciation will cause a tax liability in the future, even if the property does not appreciate in value.
 - ▶ This could be deferred further through the use of a section 1031 property exchange.
- ✔ If you qualify for and utilize the exclusion, you are ineligible to use the exclusion again for another two full calendar years.

As you can see, there are many factors to consider before making the transition from homeowner to landlord.

To summarize, not all property sales are excluded from capital gains taxation. It just happens that most property sales are below the applicable per person exclusion amount, so capital gains are not an issue. Given the notable increases in property values around the country, and specifically in desirable neighborhoods in central Ohio, more properties could be subject to this tax. The exclusions allow sellers to avoid tax, but the sellers must beware of some critical requirements. For those who choose to hold onto their property as a rental, rather than sell, the biggest requirement is that you must have lived in the property for two of the last five years. This often means you must sell the property within 3 years of moving out, to qualify for the full exclusion.

Source: *

<http://www.columbusmonthly.com/lifestyle/20170627/real-estate-central-ohios-housing-market-gold-rush>





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News and Notes

Upcoming Holiday Closures

In observance of the upcoming holidays, our offices will be closed on the following dates:



On Feb. 8 we are joining The Breathing Association. They are moving buildings soon and need our help packing up a few storage rooms. There is a project for everyone either through sorting, packing or taking photos of items they need sold. There will be no heavy lifting, so everyone is welcome to join.

To RSVP, please call **Sandy** at (614) 457-7026 or email info@waller.com.

Our Holiday Videos

As we wrapped up the end of 2017, we released a series of holiday videos. In November, our staff talked about their favorite foods and Thanksgiving traditions. In December, we discussed what we look forward to at Christmas and what made 2017 a great year.

To watch these videos, please visit the [media page](#) on our website or our [YouTube channel](#).

