

diffusetap
Virtual Event Series

Personal Finance for the Crypto Conscious

Guest Speaker:



Ric Edelman

Founder
DACFP

Hosts:



Kenny Estes

CEO & Founder
Diffuse



Ayla Kremb

COO & Co-Founder
Diffuse



DiffuseTap: Personal Finance for the Crypto Conscious

Last time on DiffuseTap, Ric Edelman, Founder of Digital Assets Council of Financial Professionals, talked to us about how to solve the biggest hurdle facing crypto's institutional adoption, common problems among crypto companies that lead to their downfall, and how advisors should be explaining Bitcoin to their clients.

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DiffuseTap

This networking session is part of our weekly virtual events series. Networking (you'll bump into at least a dozen high caliber fund managers) meets purposeful (you'll tap into brand-new sources of ideas)... straight from your armchair like a boss.

Meet the Speaker



Ric Edelman, founder of Digital Assets Council of Financial Professionals, is a New York Times bestselling author of 10 books on personal finance, thrice ranked by Barron's as the #1 Independent Financial Advisor. In 1986, Ric founded what would be the nation's largest financial planning firm, Edelman Financial Engines, which today serves 1.3 million clients and manages \$300 billion in AUM.

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About Diffuse®

We are an alternative fund platform offering differentiated investment products. From digital assets to VC funds and beyond, we identify green field investment opportunities we feel will have market beating returns and turn them into professionally managed funds. For more information, visit www.diffusefunds.com.



KENNY ESTES: Ric, can you please tell us a little about your background and what you're up to over at the Digital Assets Council?

RIC EDELMAN: Thanks so much for the invitation today. I created the largest RIA in the country, managing \$300 billion in assets and serving about 1.4 million households in the United States. I left that company, which my wife and I created almost 40 years ago, at the end of last year. I am now focusing my energies almost entirely on crypto. I created DACFP five years ago as part of my transition out of the RIA, knowing that we would be leaving the firm.

DACFP is a crypto education company. We teach financial advisors and their brokerage firms, banks, insurance companies, investment advisors, financial advisors, etc. all about crypto. I think all of you on this call recognize that, at least in the United States, three-fourths of all the money that's invested is managed through an advisor. Most consumers do not make their own investment decisions.

They hire a broker, advisor, or financial planner and they turn to that advisor for advice on where they should manage and invest their money. Advisors are really good at their jobs. But then, crypto came along a decade ago, and most people in the financial services community don't know any more about crypto than their clients do. They can't explain bitcoin or the blockchain, let alone DAOs and DeFi, or NFTs and the metaverse. When the client asks the advisor whether they should invest in bitcoin and the advisor knows no more than the client, it becomes a problem.

That's a problem for everybody, especially when we consider that this new asset class is one of the best opportunities, if not the best opportunity for wealth creation over the next decade or two. It can reduce the retirement security gap, the wealth inequality gap, and the raging financial illiteracy that exists around the world. Crypto can solve a lot of these issues. So, we devote our energy to teaching the financial industry about this in a way that nobody else does. Our biggest claim to fame is that we offer The Certificate in Blockchain and Digital Assets.

It's an 11-module online, self-study course that teaches advisors what they need to know. The first half of the course is all about the tech, including what is blockchain and what is bitcoin. The second half is all about practice management, the investment thesis, how to build a portfolio, regulation, taxation, and compliance, and most importantly, how to communicate with your clients about crypto. Almost 3,000 people from eight countries have enrolled in the program so far, and we're constantly adding more courses and content. We teach folks about this space because until you know what it is, you're not going to engage with it.

AYLA KREMB: Amazing. We'll pop into one of the "definitions" style questions. First, you work a lot with folks on personal finance. That pertains less to funds, but more towards personal assets. How would you define some of the challenges that people are facing in trying to invest their own capital in digital assets at the moment?



RIC: Well, part of the problem is not being aware of the subject matter itself. It's hard to make an investment decision in a company, let alone a coin or token, if you don't know the space. You have to start there, and get acclimated to what this stuff is because it is not related to any other aspect of personal finance. As we all know, it is unlike every other asset class. So you have to start there.

The second thing you have to do is look at which sector of the market you want to spend your time in. Do you want to buy coins and tokens, or do you want to go with the "picks and shovels" approach, which is investing in the companies that are facilitating the development of this entire asset class?

More people are more comfortable with going the company route because most on Wall Street are familiar with buying businesses and investing in companies, whether they're angel investing or startups all the way through VCs, PEs, and the IPO marketplace. Most on Wall Street are more familiar with that.

The problem is that most crypto companies are being built by companies outside of the financial services sector. They don't have a lot of experience in building a business. They don't really know how to run one, and we're seeing some massive footfalls. [Coinbase](#) announced recently how they're suddenly laying off 20 to 30% of their staff, with their own CEO saying they hired too many too quickly. If somebody as big as Coinbase could have made that mistake, you have to wonder what's going on at all these other young startups.

The question is, how deep is the management? How experienced are they? It's not enough to have a great idea for the next widget. You have to have some expertise in running a business. That's what we're beginning to see now. We're starting to see the VC and PE players bring in management, importing them from the financial services industry and other industries where they have skill in management to help make sure these businesses are more robust.

In other words, we have to go past the white paper. We have to go past the premise, and we have to treat this like a business the way we would in any other industry. Investors need to take off their rose-colored glasses and start treating this as the serious business they're hoping it will be, so that we can stop making the silly mistakes that we have seen from [Terra Luna](#), from [Celsius](#), from [Voyager](#), from Coinbase, and others. Because if we're going to attract serious amounts of capital from large populations, we can't operate the way we have over the past decade.

Less than 1% are engaged in crypto right now. These are the hodlers with diamond hands. But if you want to get the other 99% to engage, we have to start behaving in a manner that they're willing to accept. And right now, the majority of the crypto community doesn't do this. Fixing that is a large part of what I do.

I teach the crypto community how to build a business that will attract capital, assets, investments, customers, and investors. DACFP is the bridge between the crypto community and the investor community, because I speak both languages in a way that most don't. The key is recognizing that you're not building a crypto business; you're building a business that happens to be crypto. There's a big difference there.



KENNY: There are a lot of people who understand how to build and how to code crypto projects, and there are a lot of people who understand how to actually invest. But there's not a lot of people that understand both. You mentioned some of the silly mistakes that companies make, like Terra Luna. The last nine months in crypto have been interesting. Given your vantage, from a personal investor perspective and the people you work with, what are some of the lessons or takeaways, not necessarily from the operating side of the business, but from the actual investor side of the business?

RIC: There are a lot of different takeaways depending on your perspective. We need to first establish who we are talking about. For example, what a lot of us tend to forget is that half of all the people who own bitcoin, which is about half of 300 million people worldwide and about 20% of U.S. adults, bought bitcoin within the last 18 months. Almost all of them have lost money. Their perspective is very different from those of us who have been in this game for a long time. I started in bitcoin in 2012, so I've got calluses. I know that this current downturn is the seventh time that it's happened. So I shrug it off, grin, and bear it. I'm looking at the long term. I understand that volatility is an inherent part of an emerging asset class.

You need to explain that to someone who is new to this, and who was probably brought in by somebody else who is also new at this. We need to recognize the aspect of who we're talking to in order to help them realize that the fundamental reason they invested remains valid. And also, we need to make sure that what they invested in is what they should have been investing in in the first place.

Too many people went after Terra Luna because of the 18% yields. Too many people went to Celsius for similar reasons. But there's a difference between investing in an innovative technology and trying to get rich quick. We need to make sure that people recognize that crypto is really no different than any other emerging technology.

Here's one of my favorite games that I like to play with people. I encourage you to look at a chart of bitcoin's price from its inception to now. You will see incredible volatility. Then, pull up a chart of the first 12 years of Amazon. The charts are remarkably similar. It's just the innovative nature of technology and company development.

We need to help people realize the world in which they've chosen to step up to, how they need to manage it, and that they need to invest for the right reasons and with the right approach. And if they approach it with that "get rich quick" mentality, they deserve what happens to them.



AYLA: Spot on. There are a couple of questions here in the chat that tie both those pieces together, which is (a) What is the nature of crypto investing and (b) How an advisor might talk about crypto to their clients. Peter is new to the field and he asks in the chat, how would you discuss digital assets with an individual who has no experience with it? The regulation isn't solid, and the asset prices are very volatile. The price of bitcoin, frankly, is very volatile. How do you overcome the perception issues that digital assets might have at the moment?

RIC: All of that is valid. What I have learned is that we are in a metamorphosis. It began with "what". That's the first question people asked about crypto. "What is this?" Then, they went to "Why? As in, why should I care?" Today, many understand the what and the why. Now, they are asking, "How? How do I engage? How do I invest? And how much should I invest?"

And some have gotten to the "Can't." Advisors are saying "I want to engage, but my firm won't let me. My compliance department won't allow it. My sales and marketing team won't permit it. My Investment Committee has not made any crypto investments available to me." This is happening because of the regulatory environment. Many argue that there is insufficient regulatory clarity. That's a myth, but many compliance officers believe it. Let's face it, if you're a compliance officer, you're not going to let an advisor recommend crypto if you yourself don't know anything about crypto. Because if it goes badly, you'll get fired.

Too many compliance officers are more fearful for their own jobs than they are for what's in the best interest of their firm's clients. So, we need to educate the compliance department, the sales and marketing team, the HR training team, the Investment Committee, and the C-suite. We've got to get them all educated. I'm finding myself doing an increasing amount of consulting, counseling, coaching, and training for all these folks. And after they get the education, they get it.

They go from, "what" to "why" and then to "how". This is all part of the educational journey that many are on. Wall Street is behind because they dismissed crypto. They took Warren Buffett seriously when he called Bitcoin "rat poison squared" or Jamie Dimon when he said bitcoin has no intrinsic value. They just took them at their word. But now, they're realizing that this was a big mistake, because their clients are buying crypto elsewhere. Your clients are buying bitcoin just like your teenagers are drinking beer. They don't want you to know, but they're doing it. And because they're doing it without your knowledge or engagement, you're losing assets, you're losing clients, and you're losing credibility. Everybody in the financial services industry is now realizing that's the case, and they're scrambling to get the knowledge they need to figure out how they can say yes in today's murky compliant environment.

That's what we teach. We show you how to do this painlessly and easily without fear and without risk. No risk to reputation, no risk to regulation, no risk to revenue. It's simple and easy to do, and more so than most people realize.

We need to stop Jamie Dimon from saying stupid things. We need to get Warren Buffett to just shut up about it already. They need to get out of the way for those of us who know what we're talking about.



That means we need to go from the ground floor and bubble it from the bottom up. It's not going to come from management. So, the advisors need to be more vocal. They need to encourage their clients to be more vocal and to say "I want a solution." And if you don't give it to them, your competitors will.

Industry surveys on this reveal that 84% of investors expect their advisor to be knowledgeable, and 62% say they will fire their advisor if they can't help them. We need to get the financial services sector to engage.

Here's the good news. A lot of it is not complicated. Learning how to explain bitcoin and blockchain to a client is remarkably easy. That's what I do. I teach advisors how to do this. One of the best ways you can get clients up to speed for themselves and you as well, is my book, The Truth About Crypto. It debuted in May at #1 on Amazon.

Advisors and firms are buying the book in bulk and giving it to their clients as a way of saying, "We want you to get educated about this." This way, it's not a sales pitch. It's an independent objective piece of education coming from the guy who was ranked the number one investment advisor in the country three times by Barron's.

I get to do the selling for the advisor so they don't have to. And when the client gets this basic education, they realize, "Yes. I want in. I want you to help me." It's simple and easy. The first obstacle to overcome is helping people realize this isn't all that hard. Too many people try to make it complicated because they want to make themselves look more knowledgeable, but it really isn't hard.



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Dennis Chookaszian
Corporate Director, CME Group

DiffuseTap: Institutional Grade
Governance

Sharing his decades-long expertise on corporate governance, Dennis talked about how to avoid a co-partnership going sour, the problem with overly idealistic CEOs, and the importance of keeping your board in check. [Read on](#)



Susan Brazer
CEO & Founder, LionShare Media

DiffuseTap: Media Metaverse
2022

Susan described the 2020 digital media landscape; the evolution of media distribution; how converging, emerging technology points to the metaverse; and the prospect of having an open, decentralized, and free Web 3.0 marketplace. [Read on](#)



Raj Mukherjee J.D.
VP/Global Head of Tax, Binance.US

DiffuseTap: Crypto Taxes
Decoded with Binance.US

Raj explained the complexities of the US crypto tax landscape, how he built a dynamic tax information system for [Coinbase](#) and [Binance](#) from scratch, and how investors can profit from crypto without getting caught in a taxation mess. [Read on](#)

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