WCM March Newsletter

DID YOU KNOW

TRUSTEED IRA AT RJ

Trusteed IRAs are where retirement planning meets estate planning.

MONTHLY COMMENTARY

BIT-BUCKS

"Give me control of a nation's money and I care not who makes its laws"
-Mayer Amschel Bauer Rothschild

Cryptocurrency quickly rose from obscurity to ubiquity are CBDC from Central banks next?

DOING GOOD TOGETHER

Look to our Newsletters over the next couple of months for opportunities to join us in making a difference.

Thank you for the continued trust you place in us and our office. Our practice continues to grow because of you. Your referrals are the best compliment that you can give.

DID YOU KNOW?

Raymond James now offers a Trusteed IRA. See HERE for brochure.

Built to Last

The tax advantages of an individual retirement account (IRA) paired with the benefits of a trust – that's the powerful idea behind the trusteed IRA. This advantage is activated by simply adding trusteed IRA documentation and beneficiary designations to your existing Custodial IRA. With a trusteed IRA, and in the event of your incapacity or passing, you still maintain a high degree of control over how your assets are passed on to heirs, preserving the tax advantages of your IRA to create a lasting legacy.

Trusteed IRAs are where retirement planning meets estate planning. Because of the significant role an IRA can play in saving for retirement, it's critical to ensure that the assets accumulated will transfer to your heirs with minimal legal and tax implications. However, the trusteed IRA can go further. The beneficiaries you choose may be able to receive long-term distributions and maximize tax deferral benefits.

A trusteed IRA offers you control over how your assets are passed on to heirs

7 REASONS TO CONSIDER USING A TRUSTEED IRA

1. YOU'RE CONCERNED ABOUT INCAPACITY
2. YOU WANT TO CONTROL YOUR IRA ASSETS
3. YOU WANT TO PROVIDE FOR YOUR CURRENT SPOUSE AND CHILDREN FROM A PREVIOUS MARRIAGE
4. YOU WISH TO AVOID THE DELAY AND EXPENSE OF A GUARDIANSHIP OR CONSERVATORSHIP
5. YOU ARE CONCERNED ABOUT THE FINANCIAL SOPHISTICATION AND DISCIPLINE OF HEIRS
6. YOU WANT TO SHIELD AN INHERITANCE FROM CREDITORS
7. YOU WANT TO PROVIDE FOR A SPOUSE WHO ISN'T A U.S. CITIZEN

Bit-bucks

By Mark Lazar

Mark Lazar is an independent writer with Pathway to Prosperity and is not affiliated with Raymond James. Views expressed by this writer are the current opinions of this author and not necessarily those of Raymond James & Associates.

"Give me control of a nation's money and I care not who makes its laws."

-Mayer Amschel Bauer Rothschild

Since the origin of bitcoin in 2009, cryptocurrency rose from obscurity to ubiquity seemingly overnight. As of last June there were over 12,000 different digital currencies, which peaked in market value at nearly $3 trillion, or about 34% of the of the Federal Reserve's balance sheet. While the crypto space has been wildly volatile, the prospect of tokenized money continues to be extremely interesting, and not just to investors and speculators, but central bankers as well. Ironically, while the world was transfixed on the collapse of former crypto exchange FTX, a senior official from the New York Federal Reserve made a surprising announcement; the Fed has been developing its own digital currency (CBDC). And they aren't alone. Central banks around the world are currently doing the same.

Item	YTD Change
S&P 500 Index	3.40%
Dow Jones Ind Avg	-1.48%
EAFE Foreign Index	5.65%
Emerging Market Index	0.80%
Bloomberg Agg Bond Index	-0.18%
10-Year Inflation Forecast	2.33%
Unemployment Rate	3.4%

**Market index data as of 2/28/2023*

At first blush, a CBDC makes perfect sense. The evolution from a paper society to a digital one created immense efficiencies (immediate delivery, reduced costs, labor savings, reduced environmental impact, etc.), so it stands to reason or those who do not currently have a banking relationship. the same would hold true for banking. In fact, most financial transactions today are digital; credit/debit cards, ACH bank settlement, direct deposit, bill pay, digital wallet, etc. Furthermore, the Federal Reserve already incorporates a *wholesale* digital payment system for/between member institutions, as banks electronically transact with one another using reserve accounts held at the Fed, and have done so for decades.

Concerns include the risk of hacking and cyber-attacks, potential government surveillance/reduced financial privacy, and the risks posed by making Uncle Sam your banker. But one glaring issue with a retail CBDC is the potential disintermediation of the banking system

But there's a vast distinction between a *wholesale* CBDC, which we already have, and a *retail* CBDC. Advocates of a retail CBDC tout a litany of benefits such as increased payment efficiency, decreased criminal activity, heightened payment security, and cost reduction, to name a few. In a recent interview, Treasury Secretary Yellen discussed the Administration's social goals, particularly the role of a CBDC in serving the unbanked/underbanked, or those who do not currently have a banking relationship.

Not all experts are in favor of a CBDC, however. Concerns include the risk of hacking and cyber-attacks, potential government surveillance/reduced financial privacy, and the risks posed by making Uncle Sam your banker. But one glaring issue with a retail CBDC is the potential disintermediation of the banking system. Currently, savers open an account with a bank or credit union and deposit their surplus savings. Borrowers, in turn, use banks for home, auto, personal, student, business, and commercial loans. Every day banks compete for business, which promotes financial innovation, better products, service/services, rates, fees, and the like. However, a retail CBDC is a radical departure from the current model. Savers would bypass banks and instead deposit funds directly with the Federal Reserve. The most likely scenario is that the Fed would pay a market rate of interest on deposits, directly competing with private institutions and potentially giving the central bank a competitive advantage due to the perceived safety of a deposit backed directly by the federal government.

Critics further allege that with the Fed controlling the purse strings, it could effectively ignore traditional underwriting standards (collateral, capacity, capital, and credit score) and instead allocate credit based on social objectives, such as diversity, equity/equality of outcome, or climate change. Similar to a progressive tax system, those with higher incomes, assets, and credit scores could conceivably subsidize those whom the government deems has a greater need for credit.

Most CBDC proponents, like former Fed vice-chair Lael Brainard, perceive money as a public good which, by definition, is both non-excludable in its provision and non-rival in its consumption. Clean air and national security are two common examples. But a state-run banking system is incompatible with liberal western democracy and antithetical to economic and political freedom. According to Augustin Carstens of the Bank for International Settlements, "The key difference with the CBDC is the central bank will have absolute control—and the power to enforce it."

In conclusion, the introduction of CBDCs has the potential to offer a range of benefits and risks. CBDCs could provide improved efficiency and security in the payments system. However, they could also lead to disintermediation of the banking system, increased cyber risk, loss of Fed independence, and politicization of monetary policy. As such, central bankers and lawmakers alike will need to carefully consider the potential benefits and risks. As always, the devil's in the details.

Mark Lazar, MBA
Certified Financial Planner™
Pathway to Prosperity

WCM Team This Month

Stan

Happy Valentines from the Goodell Household

Nicola

Dinner with my crazy clan.

Rees

Rees and Lisa at Deer Valley

Jon

Jon and Tainui made a trip down to Scottsdale for the weekend to help family move a storage garage. Stopped by Medieval Times for dinner while there.

John

John and friend Stan out snowmobiling over the weekend.

Matt

Matt and friend skiing at Deer Valley

Jessica

Jessica and her daughter, Amelia, enjoying tea-time at The Grand America Hotel.

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