



TPF TIPS – MAY, 2025

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Welcome to TPF TIPS our monthly newsletter where we apply our over 30 years of experience to cut through the noise, select what is relevant, unpack the jargon and offer clear, digestible insights to topics important to our clients.

We know your time is precious and your inbox sacred so, we strive to make these emails an easy read (5-7minutes) and plan to deliver TPF TIPS on or around the 15th of each month (subliminal plug for tax preparation).

If, for some reason; you do not wish to receive the monthly newsletter, please do not unsubscribe. Rather, please reply to the email with the word UNSUBSCRIBE in the subject line. We will make sure to remove you from the newsletter list but, keep you subscribed to our other emails regarding important financial deadlines, events and other critical updates you will want to know about.

After all, it's your money and we want you to keep as much of it as possible!
It's that time.....buckle up and let's get **savvy**!!!

The theme for this month is:

New Money Revolution: Clarifying Blockchain, Bitcoin and Cryptocurrency

If you have ever seen, heard or read the words “blockchain,” “Bitcoin,” or “cryptocurrency” and hoped no one was around to engage you in conversation about the topics, you are not alone.

Not to worry.

Thanks to all your positive feedback and input on last month's newsletter overviewing AI (Artificial Intelligence) we decided to double-down on another digital topic this month because, we believe everyone should have a handle on the basics of this “new money” revolution – without the need of a degree in computer science or a secret decoder ring (although we LOVE decoder rings).

So, whether you are crypto-curious or just want to sound savvy at that next social outing, this rundown is for you.

Cryptocurrency – what IS it?

At the foundation of the new money revolution is cryptocurrency.

Cryptocurrency is digital money.

Think of it as virtual cash that lives on the internet or, money in an online bank account.

Unlike contemporary currencies like dollars, euro or yen; cryptocurrencies are not printed by governments or managed by banks. Instead, they're created and exchanged electronically, using a technology called blockchain.

The "OG" or original and most well-recognized cryptocurrency is bitcoin. However; there are literally thousands of digital currencies with names such as Ethereum, Tether, Solana and Dogecoin (nothing to do with the US Government's DOGE entity). We will touch on why so many different currencies and their purpose in a bit.

Blockchain – The Future of Trust Explained

While it may seem to be an oxymoron to have "trust" and a "digital technology" term in the same sentence, but let there be no doubt about it – it's true.

Imagine a shared digital notebook that everyone in a group has a copy of. Every time something important happens in the group (like someone paying someone else money), it's written down as a "block" on a new page in everyone's notebook.

Once a page (block) is full and agreed upon to be correct by everyone in the group, it's permanently linked to the page before it. The page cannot be erased or secretly changed without everyone else noticing because their notebooks wouldn't match anymore.

Example:

Let's show how blockchain can be used to track who owes money for pizza between three friends: Tom, Richard and Sally.

1. **Transaction:** Sally pays Tom \$10 for her share of the pizza.
2. **Block Creation:** The \$10 transaction gets recorded in a new "block" that includes details like: "Current Day/Time, Sender, Receiver and dollar amount"
3. **Agreement:** Sally, Tom and Richard all check their digital notebooks and agree the transaction is correct.
4. **Linking:** The new "block" is then permanently linked ("chained") to the previous "block" of pizza debts/transactions...adding to the overall blockchain.

Now, everyone has an identical, unchangeable (immutable) record of Sally paying Tom. Should, at a later date, Sally said she didn't pay, Tom and Richard can point to the blockchain (their shared notebooks) as proof.

In summary, a blockchain is a secure, independent and transparent way of recording and sharing information across a network of computers without intermediaries. Since each "block" is linked and validated using encrypted security, it's very difficult to tamper with the records, making it a very honest and reliable system.

Bitcoin: The "OG" Crypto Currency

Bitcoin is a groundbreaking digital currency with the potential to change how we think about money and finance

Bitcoin was introduced in a 2008 white paper authored by a person or group using the alias Satoshi Nakamoto. The true identity of the creator or creators remains one of the greatest mysteries in the cryptocurrency world to this day.

The idea of the project was to create a digital currency that was not controlled by any single entity, offering a person-to-person transaction with no "middle man". The decentralized nature of the technology set the foundation for a potentially fairer financial system.

Facts About Bitcoin

- Limited Supply: Only 21 million bitcoins will ever exist.
- Scarcity is a key factor in its perceived value.
- Decentralized: No single person, company or government controls it.

- Divisible: One Bitcoin can be divided into smaller units called "satoshis"
1 Bitcoin = 100 million satoshis, making it usable for transactions of any size.
- Borderless: Bitcoin can be used anywhere in the world where there's internet access, without the need for currency exchange.

How Cryptocurrency Works

- Wallets: Comparable to a digital bank account. Coins are stored, sent or received. Each wallet has a public key, similar to an email address where others can send currency; and a private key equivalent to a password – which should never be shared.
- Transactions: When cryptocurrencies are sent, a transaction is generated using one's private key. The network then validates the currency you own and authenticates the transaction can take place.
- Mining: Miners solve complex math problems to verify transactions and add them to the blockchain. The first miner on the network to solve the "puzzle" is rewarded with new bitcoin.
- Decentralization: Thousands of computers around the world maintain the blockchain. This makes the system inherently more secure and less prone to fraud.

Types of Cryptocurrency

As we mentioned earlier there are thousands of coins in the new money revolution. Below are a handful of the main categories of coin types, their use and popular currencies in the category.

Payment Currencies

Designed as a means of exchange for goods and services similar to traditional currency

Examples: Bitcoin, Litecoin, Bitcoin Cash

Utility Tokens

Provide users with access to a specific product, service or platform within a blockchain ecosystem.

Examples: Ether – cryptocurrency of the Ethereum network used to pay transaction fees and interact with decentralized applications.

Chainlink – powers the Chainlink decentralized oracle network, used to pay node operators for providing real-world data to smart contracts.

Stablecoins

Designed to maintain a stable value relative to a specific asset such as the US dollar.

Example: Tether – tied to the US dollar, one of the most widely used coins

Security Tokens

Main use is to represent ownership in an external asset such as stocks, bonds or real estate. They are subject to securities regulations.

The currency landscape is constantly evolving and new types and uses emerge frequently. Some coins have multiple uses that span across categories – truly adding to the understanding "fun"!

Is this Right for You?

Cryptocurrency isn't for everyone. It's exciting, but it's also risky and unpredictable.

If you're interested in jumping into the fray, start small, do your research, and utilize these tips:

- Stick with well-known coins at first.
- Use reputable exchanges and wallets.
- Be wary of "get rich quick" promises.
- Keep your private keys safe-think of them as the keys to your digital vault.

Crypto Buzzwords

Time to define some terms you may have heard bandied about in the news. As we promised, decoder ring not necessary!

- Altcoin: Any cryptocurrency that isn't Bitcoin.
- Token: A digital asset built on another blockchain (like Ethereum).
- NFT: "Non-fungible token"-unique digital collectibles.
- HODL: Slang for "hold"-don't sell, even during wild price swings.

What's Next for Blockchain and Crypto?

The technology behind crypto-blockchain-is being used for much more than just money. It's powering everything from art sales (NFTs) to supply chain tracking and even voting systems.

Some experts believe blockchain could revolutionize how we store records, prove ownership, and do business online.

As for Bitcoin and other cryptocurrencies, their future is still being written. Some see them as the money of tomorrow; others are more skeptical. Either way, understanding the basics puts you ahead in the learning curve.

Final Thoughts. . .Understand More

When it comes to new technologies and revolutionary changes in finance, keep learning and stay curious. In our ever-changing world, *knowledge* is your best investment.

Remember:

We are here to help clients make informed decisions, alleviate concerns and prepare for various potential outcomes. If you have questions about how best to navigate these new and dynamic technology changes, please reach out to us.

After all, ***we want to help you keep as much of your money as possible!***

About The Pierson Firm

Conroe-based The Pierson Firm offers a comprehensive range of tax-related services to individuals and businesses alike; and have been doing so for over 30 years. From Tax Planning, Preparation & Representation to Business Operations, Advisory and Compliance, the firm provides personalized solutions to those around the block or around the globe. Additional company information can be found by visiting www.thepiersonfirm.com.



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