



Ask Nick

Great Marketing Idea

MORE ON BITCOIN

Q Your rather dry answer to the *Ask Nick* in September about bitcoin was all right as far as it went (essentially “Cryptocurrency is outside my circle of competence, and I fully intend to leave it there”). But as the volume of questions about bitcoin rises (and make no mistake: it is rising), I’m casting about for just a little more language of a cautionary nature. At the same time I’m not looking to mount an argument, which I don’t have the intellectual firepower to sustain, nor the interest, for that matter. My private opinion (like the guy who asked the question in September) is that it’s the tulip mania with virtual tulip bulbs. Might I ask you to throw me a bone, here?

A I’m just not sure what else one can say without grasping the third rail of debate. Perhaps the most common-sense, non-judgmental point we ought to make is that bitcoin clearly has many more of the characteristics of a **speculation** than an investment, in that it has no intrinsic value, doesn’t produce anything, and therefore doesn’t earn anything, much less provide an income. Its value is simply what all the market participants say it is at any given moment. (What troubles me more than a little is that one could and indeed should say the same about gold, and one would never in a million years want to give bit-

coin that aura of legitimacy.)

Perhaps the fact (cited in Ben Carlson’s thoughtful December 7th posting) that bitcoin has already had three crashes exceeding 85% since 2010 may slow people down, or sober them up. But even there, the inarguable rejoinder is that it has come back from each of those crashes to successively higher new highs. In any event, the volatility alone is compelling anecdotal evidence as to why no sane advisor would want to be advising people on bitcoin—other than to add that it should probably be bought with money one wouldn’t be seriously harmed by losing.

I’M GLAD IT’S YOUR BIRTHDAY

Q How do you handle client birthdays? I’ve never been great at the “birthday call”. It always seems a tad trite. I have a close friend who told me his advisor calls him on his birthday every year and he hates it because he doesn’t feel like it’s genuine. I’m curious for your recommendation. Thanks.

A (a) Well, let’s see, now. You have “a close friend” who has an advisor other than you, and who thinks that his advisor’s birthday wishes are fake—so fake that he “hates” getting these calls. My first question would be: why is this “close friend” not **your** client? Never mind; upon mature reflection, I withdraw

the question. (b) You are not comfortable with making birthday calls, feeling that they are “a tad trite.” My Solomon response—and this is clearly why I get paid the big bucks—**don’t make them**. Indeed, never do anything that feels false to you. But on the other hand, you might want to spend some time thinking about **why** a genuine, warm birthday call might feel false. Because that feeling is inexplicable to someone (like *moi*) whose whole theory of practice management comes down to the seven words “friends become clients and clients become friends.” (c) Finally, with or without a call, **I continue to suggest sending the wonderful Remember When Kardlets from Memory Road, a division of Seek Publishing. They are 24-page booklets specific to each year of birth, and are chock full of events, sports, movies, consumer prices and full-color advertisements from that year. There is a blank page for notes, on which I always wrote the level of the S&P on the recipient’s date of birth (or, before 1950, the month) and its level now. It was probably the most powerful, most appreciated thing I regularly sent out. And I’m pretty sure nobody ever thought it trite, or fake. Indeed, I got “thank you” calls.**

THE WORLD DOES NOT FALL APART. QUITE THE CONTRARY.

Q Have you found a book (historical) that addresses what happens when the world really does fall apart? I just finished *Inside the Third Reich* and it led me to ask: what happens when the bank that holds your mortgage, and all the records of that mortgage, and all the people who know anything about that mortgage, are gone? Do life insurers still pay death benefits for death by natural causes when a significant portion of the population is dead or missing? How do businesses rebuild when P/C coverage doesn’t pay for Acts of War?

“Investors still do not fully appreciate the magnitude of opportunity cost they have paid to alleviate their fears that 2008 would repeat...Fear has caused 2017 to largely be another year of missed opportunities, and we remain bullish on the global equity markets for 2018 based on our previously stated considerations of improving global profits, significant liquidity, and investors’ general hesitancy to embrace equities.”

—Richard Bernstein, “Insights,” December 2017 (emphasis added)