

Crypto Beyond the Hype:

A Rational Investor's Guide in 2025



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Introduction

In 2021, we published a three-part series introducing cryptocurrency — what it is, how it's used, and what it means for investors. At the time, crypto was still largely speculative, untested in mainstream finance, and surrounded by hype.

Four years later, the landscape has evolved. Ethereum has transitioned to proof-of-stake, spot Bitcoin ETFs have been approved in the U.S., and blockchain technology is being adopted in industries far beyond currency. The April 2021 IPO of Coinbase — the largest U.S.-based crypto exchange — further signaled crypto's entry into mainstream finance.

Yet many of the same concerns we highlighted in 2021 — volatility, regulatory uncertainty, and limited investor protections — remain just as relevant.

This whitepaper builds on our earlier writing, reframing it around **risk education**. Our goal is to provide high-net-worth investors — especially those nearing or in retirement — with the knowledge needed to make informed decisions about cryptocurrency and its place (or absence) in a diversified portfolio.

Key Takeaways

- Crypto has matured since 2021 but still carries significant volatility, regulatory uncertainty, and investor risk.
- Blockchain has uses beyond currency, with real-world applications in supply chains, healthcare, and more.
- Stablecoins offer transactional utility but are not growth assets.
- Most clients already have indirect crypto exposure through the real companies held within our evidence-based ETF portfolios.

Blockchain 101: What It Is and Why It Matters

Andreas Antonopoulos: *“At its core, bitcoin is a system of trust: it replaces institutional trust with mathematical proof.”*





Blockchain is a secure, digital ledger that records transactions in a way that is:

Transparent, permanent, and extremely difficult to alter.





Why Blockchain Matters

- ✓ Foundation of cryptocurrency
- ✓ Beyond currency (supply chains, identity, voting, real estate)
- ✓ Potential for disruption in reducing costs and intermediaries

Core Characteristics

-  **Decentralized** — no single authority controls it.
-  **Immutable** — records cannot be changed once added.
-  **Transparent** — anyone can view the history.
-  **Secure** — verified using advanced cryptography.

Caveats

-  Scalability issues
-  Energy consumption (for proof-of-work chains)
-  Evolving regulation
-  Overhyped projects without substance

Outside of Finance: Real-World Blockchain Applications

- *IBM Food Trust* — supply chain tracking for food safety
- *MediLedger* — authenticates pharmaceuticals
- *ID2020* — digital identity for underserved populations
- *Republic of Georgia* — blockchain land registry
- *Voatz* — pilot blockchain voting apps
- *VeChain* — authenticates luxury goods and art

Investor Takeaway: Understanding blockchain is critical — it’s the foundation of the crypto conversation and may influence markets and industries well beyond finance.

Theme 1: From Novelty to Mainstream — But Still Not Mature

Warren Buffett: *“It’s ingenious and blockchain is important but bitcoin has no unique value at all ... it’s a delusion basically.”*

Institutional Entry

- **Public Market Listings** — Coinbase’s 2021 IPO marked a watershed moment.
- **ETFs & Funds** — Spot Bitcoin ETFs approved in 2024 gave regulated market access.
- **Corporate Treasuries** — Some firms added crypto to balance sheets.

Technological Upgrades

- **Ethereum Merge (2022)** — cut energy use by ~99%.
- **Layer 2 Adoption** — improved scalability and cost efficiency.

Regulatory Attention

- Patchwork global rules
- Ongoing SEC/CFTC debates
- Tax treatment complexity

Lingering Challenges

- Extreme volatility
- Security and custody risks (e.g., FTX collapse)
- Limited real-world adoption beyond trading

Inspector Perspective: Crypto has gained legitimacy but remains far from the stability and maturity of traditional asset classes.

Theme 2: Spending Crypto – Progress, But Not Ready for Prime Time

Cuy Sheffield: *“The majority of stablecoin volume is generated by ‘high-value transfers, not retail transactions.’”*

Crypto spending is possible today via cards, PayPal, Venmo, and Layer 2 networks. Yet mainstream adoption is still limited.

Adoption Challenges

- Taxable events for every purchase
- Price volatility
- Merchant integration costs

Where It Works Today

- Cross-border remittances
- High-value business transfers
- E-commerce in niche markets

Stablecoins: Bridging Crypto and Traditional Finance

In their July 24, 2025 edition of Three on Thursday, First Trust Advisors highlighted stablecoins:

“... recognizing stablecoins as a legitimate part of the financial system rather than a crypto sideshow.”

“For people and businesses in regions with limited banking access, stablecoins offer a quicker, more accessible alternative for moving money across borders.”

Market Snapshot (2025) — Stablecoins exceed \$150B in value.

Use Cases — Cross-border payments, treasury management, trading ramps, emerging market currency alternatives.

Risks — Counterparty risk, transparency issues, regulatory scrutiny, and algorithmic failures.

Investor Perspective: Stablecoins are useful for payments but not growth assets. They are a bridge — not an investment.

Theme 3: Investing in Crypto — Risk, Reward, and Role in a Portfolio

Warren Buffett: *“Cryptocurrencies basically have no value and they don’t produce anything... what you hope is that somebody else comes along and pays you more money for them later on.”*

Unique Risk Profile

- Volatility 4–5x the S&P 500
- No intrinsic cash flows
- Liquidity challenges in smaller tokens
- Correlation shifts in downturns

Portfolio Integration

- Keep allocations small (0–2%)
- Treat as speculative satellite positions
- Rebalance regularly
- Stay alert to regulatory shifts

Investor Perspective: Crypto can be a high-risk satellite position, best suited for capital you can afford to lose. Most investors are better served with well-constructed ETFs, which already capture companies building the crypto ecosystem — from exchanges like Coinbase to payment processors and blockchain infrastructure firms. This provides exposure to crypto’s growth without the volatility and custody risks of holding tokens directly.

Conclusion & Next Steps

Crypto has matured since our 2021 series, but its risk profile remains largely unchanged.

Our guidance remains:

- Understand the technology before investing.
- Keep allocation proportionate to risk tolerance.
- Avoid hype-driven decisions.

Next Step: Schedule a portfolio review to evaluate your current indirect exposure and determine whether direct crypto holdings have a role in your financial plan.

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