

NO POSITION IS A POSITION

THE FINANCIAL ADVISER'S
GUIDE TO BITCOIN ALLOCATION

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The author is not an attorney. The compliance discussion in this book is general in nature and not legal advice.

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Contents

INTRODUCTION: The Conversation You Cannot Avoid	v
CHAPTER 1: Why Bitcoin Now	1
CHAPTER 2: Bitcoin 101 for Advisers	7
CHAPTER 3: Addressing Client Concerns.....	17
CHAPTER 4: Client Conversation Frameworks.....	35
CHAPTER 5: Implementation Options.....	47
CHAPTER 6: Compliance Considerations	63
CHAPTER 7: Next Steps for Your Practice.....	75
APPENDIX A: Client FAQ	81
APPENDIX B: Suggested Reading and Research Sources.....	87
FREE RESOURCES: Free Resources from Veritas Bitcoin Strategies.....	91
APPENDIX C: Deeper Questions and Their Answers	93
About the Author.....	101

INTRODUCTION

The Conversation You Cannot Avoid

A client sits across from you. They have been a client for years. They trust you. They pay you well.

They ask, “What do you think about Bitcoin?”

You have three options.

You can deflect. You can say it is too speculative, too volatile, not appropriate for their situation. You may even be right on the specific facts. But you will not have answered the question they actually asked.

You can guess. You can offer an opinion shaped by what you read last week or what someone said on a podcast. This is the worst option. It signals lack of preparation on a topic the client now considers important.

You can answer with structure. You can explain what Bitcoin is, what it is not, what role it might play in a portfolio, what risks it carries, and how reasonable people can disagree. You can offer a framework for thinking about it. You can document the conversation properly.

The third option is the only one that protects the relationship.

This book exists because most advisers are not yet prepared to choose the third option. That is not a criticism. Bitcoin has moved from internet curiosity to institutional asset class in roughly fifteen years. The professional infrastructure (spot ETFs, custodians, audit standards, compliance frameworks) is recent. The education has not caught up to the demand for it.

The demand is here. According to the 2025 Bitwise/VettaFi Benchmark Survey of financial advisers, a significant majority of advisers report that their clients are investing in crypto outside the advisory relationship. The exact figure has hovered in the seventy percent range across multiple survey years. Whatever the precise number this quarter, the pattern is settled: clients are not waiting for permission.

This is a familiar problem with an unfamiliar asset. Whenever clients have made allocation decisions outside the advisory relationship (whether the asset was real estate, private equity, life settlements, or anything else) the adviser has lost three things: the fee on those assets, visibility into the client's full balance sheet, and the position of being the trusted resource the client consults first.

You do not have to like Bitcoin to recognize this. You do not have to allocate aggressively. You do not have to become an evangelist. You do have to be conversant.

This book is intended to make you conversant. It is short on purpose. It will not turn you into a Bitcoin expert. It will give you enough structure to have the conversation, enough framework to evaluate the implementation options, and enough compliance grounding to document the decisions properly.

The book is organized around the questions advisers actually ask:

What is Bitcoin, really, and why does it exist?

What do I tell a client who is worried about volatility?

How do I think about implementation: spot exposure (on-chain or ETF), risk-managed, or both?

What do I need to document to satisfy my compliance obligations?

How do I get started without overcommitting?

Each chapter is written to be read in one sitting. The whole book can be read in an afternoon. That is by design. The goal is not depth for its own sake. The goal is to give you working knowledge fast, so the next client conversation goes better than the last one.

A note on style. This book treats you as a sophisticated professional. It does not talk down. It does not hype. It does not promise that Bitcoin will go up or warn that it will go down. It presents the asset, the objections, the implementation options, and the compliance considerations. What you do with that material is your decision.

One last point. The advisers who do best with Bitcoin allocation are not the ones who are most enthusiastic. They are the ones who are most prepared. Enthusiasm without preparation produces bad outcomes. Preparation without enthusiasm produces durable client relationships. This book is meant to support the second outcome.

Let us begin.

CHAPTER 1

Why Bitcoin Now

The Question Has Already Been Asked

The question is not whether your clients will ask you about Bitcoin. The question is whether they have already asked, and what you said.

For some advisers, the conversation has happened multiple times. For others, it is coming this quarter. The variable is the client base. The constant is that Bitcoin is now a topic in serious financial conversations across every wealth tier and every age demographic.

This was not true five years ago. It was barely true three years ago. Two developments changed it.

The first was the approval of spot Bitcoin ETFs by the Securities and Exchange Commission in January 2024. For the first time, advisers could allocate to Bitcoin through ordinary brokerage infrastructure, with familiar custodians, on familiar platforms, with familiar reporting. The friction that had kept Bitcoin out of advised portfolios collapsed.

The second was institutional adoption. Endowments, family offices, sovereign wealth funds, and public companies began holding Bitcoin in measurable allocations. Whatever an individual adviser thinks

about Bitcoin, the institutional reference points have changed. When the largest asset manager in the world launches a spot Bitcoin ETF and it becomes one of the fastest-growing ETFs in history, the conversation has shifted.

The result is that advisers who deflect on Bitcoin are deflecting on a topic the institutional world treats as legitimate. This is a poor position to defend.

What the Data Shows About Client Behavior

The Bitwise/VettaFi Benchmark Survey of financial advisers has tracked adviser sentiment and client behavior on crypto since 2018. The single most important data point for the purposes of this book is the percentage of advisers who report that their clients are investing in crypto on their own, outside the advisory relationship.

That percentage has consistently been high. In recent survey years it has been around seventy-one percent. The exact number moves with the cycle and the wording of the question. The pattern does not move.

Read that number again. Roughly seven out of ten advisers say their clients are buying Bitcoin (or other digital assets) outside the advised account. This means:

- The adviser is not earning a fee on those assets.
- The adviser does not see those assets on the consolidated balance sheet.
- The adviser is not the source the client consulted before making the allocation.

- The client made an allocation decision in a category the adviser was not prepared to address.

If you have spent any time in this industry, you recognize this pattern. It is the same pattern that played out with real estate in the 1990s, with hedge funds in the 2000s, and with private credit in the 2010s. Clients found something the adviser was not offering. Clients went and got it. The adviser was left explaining why an asset on the client's balance sheet was not part of the plan.

The cost of this pattern is rarely the fee on the specific assets. The cost is the position of being the first call. Once a client has gone outside the relationship and had a positive experience, the next allocation decision is easier to make outside as well. The relationship has a higher chance of erosion this way.

Keeping Assets Under One Roof

The phrase advisers already use for this is “consolidation” or “assets under one roof.” The principle is familiar. A client with multiple custodians, multiple advisers, and multiple uncoordinated decisions is a client whose plan is fragmented. The adviser who can speak intelligently across every category the client cares about is the adviser who consolidates the relationship.

Bitcoin is just another category. The fact that it is unfamiliar to many advisers does not change the underlying business logic. If clients are going to allocate to Bitcoin (and the data says many already have), the question is whether the allocation is happening inside or outside the advised relationship.

Inside the relationship, the adviser:

- Manages position sizing relative to the rest of the portfolio.
- Documents suitability.
- Coordinates tax planning.
- Selects the implementation vehicle.
- Earns the fee on the assets.

Outside the relationship, none of this happens. The client is allocating without guidance, often through exchanges with retail-grade interfaces, without coordination with the rest of the plan, and without the adviser's knowledge of the position size.

Framed this way, the question is not really about Bitcoin. It is about whether the adviser wants to compete for the assets or cede them. The advisers who compete for them are not necessarily the most enthusiastic about Bitcoin. They are the most prepared.

The Opportunity, Stated Plainly

There are three reasons to take Bitcoin seriously as an adviser, independent of any view on the asset itself.

First, the assets are there to be advised. Client allocations to Bitcoin are no longer hypothetical. They are observable on the consolidated balance sheets that clients are not yet showing you.

Second, the implementation options are now respectable. Spot ETFs from major issuers, qualified custodians for direct holdings, and

managed strategies through SMA structures all exist. The infrastructure no longer requires the adviser to apologize.

Third, the educational asymmetry favors the prepared adviser. Most advisers are not yet prepared. The ones who get prepared early hold a meaningful advantage in client conversations and in prospecting.

For advisers who want to close that asymmetry quickly, Veritas Bitcoin Strategies publishes a library of free institutional research at familyofficebitcoin.com, including the white papers Bitcoin and the Architecture of Wealth Preservation, 7 Questions Capital Allocators Should Be Asking About Bitcoin, and Bitcoin Custody for Family Offices. They are written for serious allocators and are free to read.

This is not an argument that every adviser should allocate every client to Bitcoin. That would be irresponsible. It is an argument that every adviser should be conversant, should have a position, should be able to explain that position, and should be able to implement competently for clients where allocation is suitable.

What This Book Will and Will Not Do

This book will give you a working framework for thinking about Bitcoin, addressing client objections, comparing implementation options, and documenting your decisions for compliance.

This book will not predict Bitcoin's price. It will not tell you what percentage of any portfolio should be allocated. It will not promise that Bitcoin allocation will produce specific outcomes. The asset is

volatile. The risks are real. The framework presented here is meant to help you think clearly, not to substitute for your own judgment about your clients.

The next chapter starts with the foundation: what Bitcoin actually is, what problem it was designed to solve, and why “crypto” is a category and Bitcoin is not.

CHAPTER 2

Bitcoin 101 for Advisers

What Bitcoin Is, in One Paragraph

Bitcoin is a digital monetary asset with a fixed supply of twenty-one million units, governed by open-source software, secured by a global network of computers, and transferable between parties without an intermediary. It was launched in January 2009 by an anonymous developer or group using the name Satoshi Nakamoto. It has operated continuously since then with no downtime, no central administrator, no board of directors, and no monetary policy committee.

That paragraph is true and complete at one level. It is also useless to a client who wants to understand why Bitcoin exists. To answer that question, we have to talk about money.

The Problem of Money

Every monetary system in history has had to solve one core problem: how do you prevent the issuer from issuing too much of it?

Gold solved this problem through physics. Gold is rare. New supply requires mining. Mining is expensive. The annual increase in the gold

supply has averaged roughly one to two percent for the last several decades. This is the constraint that made gold the foundational reserve asset of the global monetary system for thousands of years.

The constraint was broken in stages during the twentieth century. The Federal Reserve Act of 1913 created the U.S. central bank. The gold standard was suspended during the First World War, restored, and then weakened through the 1930s. The Bretton Woods agreement of 1944 fixed the dollar to gold at thirty-five dollars per ounce and pegged other major currencies to the dollar. The Bretton Woods system ended in August 1971, when the United States suspended dollar-gold convertibility.

Since 1971, no major currency has been backed by a hard physical constraint. Every major currency is a fiat currency, meaning its value derives from government decree and institutional credibility rather than from a fixed supply or an underlying asset.

The data on the consequences is publicly available. The website wthappenedin1971.com aggregates dozens of macroeconomic charts showing inflection points in the early 1970s across measures including wage-productivity gaps, asset prices relative to wages, debt-to-GDP ratios, and the share of national income going to capital versus labor. The charts do not prove a single causal story. They do show that something changed.

The most measurable change is purchasing power. Since 1971, the United States dollar has lost approximately eighty-five percent of its purchasing power against a basket of consumer goods. Other major currencies show similar patterns. This is what happens, structurally, when a monetary unit is no longer constrained by a hard supply rule.

Bitcoin was designed in direct response to this problem.

What Bitcoin Was Designed to Solve

In October 2008, Satoshi Nakamoto published a nine-page paper titled “Bitcoin: A Peer-to-Peer Electronic Cash System.” The paper proposed a digital money that would not depend on a trusted third party. The first block was produced in January 2009. Embedded in the data of that first block was a headline from The Times of London: “Chancellor on brink of second bailout for banks.”

The timing was not subtle. Bitcoin was launched during the global financial crisis, in response to a system that required repeated central bank intervention to remain solvent. The design choice that mattered most was the supply schedule.

Bitcoin’s supply is capped at twenty-one million units. The cap is enforced by the software. New Bitcoin is produced through a process called mining, in which computers compete to add new blocks of transactions to the chain. The block reward, paid in new Bitcoin to the miner, halves approximately every four years. As of this writing, the issuance rate is roughly 0.85 percent per year. After the next halving, it will be roughly 0.4 percent. By the year 2140, all twenty-one million units will have been issued, and the issuance rate will be zero.

This is the feature that makes Bitcoin a monetary innovation rather than a technology novelty. For the first time in history, there is a monetary asset with a known, mathematically enforced, terminal supply.

The other monetary properties follow from this one. Bitcoin is durable (it exists as software and does not degrade). It is divisible (each unit

can be divided into one hundred million smaller units, called satoshis). It is portable (it can be transferred globally in minutes). It is verifiable (anyone can confirm the validity and supply of any unit). It is fungible (one Bitcoin is interchangeable with any other Bitcoin). And it is scarce in a way no other monetary asset has ever been.

Whether Bitcoin will succeed as money over the long term is an open question. What is not in question is what it was designed to do.

Why Bitcoin, Not “Crypto”

This is the section that matters most for an adviser’s credibility with a sophisticated client.

The word “crypto” is a category. Bitcoin is one asset in that category. The other assets in the category are sometimes called altcoins, tokens, or simply other cryptocurrencies. They number in the thousands. Their use cases vary. Their teams vary. Their supply rules vary. Their governance structures vary. Some have utility. Many do not. Many have failed.

Conflating Bitcoin with “crypto” is the most common mistake in adviser conversations about this asset class. It produces three errors at once.

First, it imports the volatility and failure rate of speculative tokens into the analysis of Bitcoin. Bitcoin’s risk profile is different from a small-cap token launched last month by an anonymous team. Treating them as the same category produces analysis that is wrong on both ends.

Second, it imports the regulatory uncertainty. Many tokens have been subject to enforcement actions by the SEC and CFTC. Bitcoin has not.

The SEC and CFTC have both consistently treated Bitcoin as a commodity, not a security. The spot ETF approval is the clearest signal of this distinction.

Third, it imports the wrong frame. Most tokens are technology propositions, business model propositions, or governance experiments. Bitcoin is a monetary protocol. Conflating them produces conversations about smart contracts and DeFi when the relevant conversation is about monetary debasement and store of value.

The adviser's working definition should be straightforward. Bitcoin is analyzed as a monetary asset with substantial volatility and a meaningful risk of loss. Other tokens are separate analytical problems with their own distinct risks. Conflating the two produces poor analysis of both, which is the relevant point for the portfolio question.

If a client asks about Ethereum, Solana, or any other token, the informed response is that those assets are addressing a different problem than Bitcoin is. My view is that most other tokens are trading assets that live inside the fiat system. Their valuation depends on adoption of a particular platform, the success of a specific application, or the dynamics of a governance model, all denominated in dollars and measured against dollar returns. Bitcoin has a different intent. It proposes to step outside the fiat system rather than trade more efficiently within it. The analysis is different because the question being asked is different. That is the substantive reason the conversation should treat them separately, not a dismissal of the client's curiosity. A client who wants to discuss other tokens deserves a separate conversation on their own merits, with the recognition that the analytical framework, the risks, and the role in the portfolio will all be different.

The deeper case for analyzing Bitcoin as a monetary asset separate from the rest of the digital asset category is developed at length in *The Cost of Consensus*, the author's book on why sophisticated capital so often arrives last to assets it does not yet understand. A free copy is available at familyofficebitcoin.com.

Supply Mechanics in Plain Language

The twenty-one million cap is the headline feature. The mechanics behind it are worth understanding at a working level.

New Bitcoin enters circulation through mining. Miners run specialized computers that compete to solve a cryptographic puzzle. The winner adds the next block to the chain and receives the block reward. Blocks are produced approximately every ten minutes. The block reward halves every 210,000 blocks, which works out to roughly every four years.

The halving schedule:

- The first block reward was fifty Bitcoin per block.
- The first halving (November 2012) reduced it to twenty-five.
- The second halving (July 2016) reduced it to 12.5.
- The third halving (May 2020) reduced it to 6.25.
- The fourth halving (April 2024) reduced it to 3.125.
- The fifth halving will occur in 2028 and reduce it to 1.5625.

The schedule continues until the block reward becomes too small to be meaningful, at which point miners will be compensated entirely through transaction fees.

The effect of this schedule is that the rate of new supply growth is high in the early years and asymptotically approaches zero. Roughly ninety-five percent of all Bitcoin that will ever exist has already been mined. The remaining five percent will be released over the next century-plus.

For an adviser explaining this to a client, the key point is that the supply is not a corporate decision, a Federal Reserve decision, or a board decision. It is a software decision, made in 2009, that has held without modification through fifteen years of operation, multiple major price cycles, contentious community debates, and regulatory pressure. The credibility of the supply cap is what gives Bitcoin its monetary character.

How Bitcoin Is Held

Bitcoin can be held in several ways. The implementation chapter goes into detail. For now, the working categories are these.

Spot Bitcoin ETFs hold Bitcoin on behalf of shareholders. The shareholder owns shares of the ETF. The ETF holds the underlying Bitcoin through a qualified custodian. This is the most familiar structure for advisers and the easiest to implement at scale.

Direct Bitcoin ownership through a qualified custodian means the client owns Bitcoin directly, held at a regulated institution such as a state-chartered trust company or a regulated qualified custodian. The client (or the adviser on the client's behalf) controls the account.

Direct Bitcoin ownership through self-custody means the client controls the private keys directly, without an intermediary. This is the original use case for Bitcoin and the form most consistent with its

design. Self-custody is definitionally outside the advised relationship; the moment a firm could supervise, insure, bill on, or reconcile against the position, the position would no longer be self-custodied. The reason has nothing to do with the merits of self-custody as such. It follows from what advisers are operationally required to do for assets under management: supervise, custody, report on, and bill against them under their compliance framework. Most RIAs and broker-dealers are not set up to administer assets that sit outside a qualified custodian. Most E&O policies do not contemplate it. Most reporting and performance systems cannot ingest it. Most compliance frameworks require third-party custody for assets under management. None of these are arguments against self-custody for the client who is doing it on their own account. They are the structural reasons self-custodied positions sit outside the advised relationship by definition. For technically sophisticated clients holding multi-generational positions, self-custody remains genuinely relevant, and the adviser's role in those situations is education, coordination with the client's own technical setup, and integration into the broader financial plan.

Managed strategies through an SMA structure provide professional management of a Bitcoin allocation, potentially with risk-mitigation overlays. The tradeoffs are real. An SMA introduces an additional fee layer on top of any underlying expense ratios, adds dependency on a specific manager and the manager's process, and typically carries account minimums that gate suitability. For clients who want structured risk management and are willing to pay for it, the structure can fit. For clients who want the cheapest possible passive exposure, an ETF will usually be the better answer. Chapter Five covers the tradeoffs in detail.

What an Adviser Needs to Know

An adviser does not need to be able to explain hash functions, the SHA-256 algorithm, the mempool, or the mechanics of difficulty adjustment. The same way an adviser does not need to be able to explain the Federal Reserve's open market operations to discuss Treasuries with a client.

What an adviser needs is the following:

- Bitcoin is a digital monetary asset with a fixed supply cap, designed in response to monetary debasement, secured by a decentralized network, and accessible through familiar investment vehicles.
- It is distinct from the rest of the cryptocurrency category and should be analyzed separately.
- It has institutional infrastructure (ETFs, qualified custodians, audited reserves) that makes implementation straightforward.
- It is volatile, and the volatility is structural to the asset's stage of monetization, not a sign that the asset is broken.

That is the working knowledge. The rest of this book builds on that foundation.

CHAPTER 3

Addressing Client Concerns

The most common client objections to Bitcoin are not new. They have been raised in some form against every monetary innovation in modern history. They are also, in most cases, reasonable on their face, and they deserve respectful, structured answers.

This chapter takes the seven most common objections in turn. Each one is presented as a client would raise it, followed by the underlying concern, the relevant data, and suggested response language.

Objection One: “It Is Too Volatile”

This is the most common objection, and it is the one with the most truth to it. Bitcoin’s annualized volatility has historically been multiple times that of equities and an order of magnitude greater than that of investment-grade fixed income. There are years where Bitcoin has lost more than seventy percent of its value from peak to trough. There are also years where it has multiplied several times over. The price action is not for the squeamish.

The underlying concern, however, is usually not “volatility” in the academic sense. It is something closer to: “I am worried about catastrophic loss.” Those are different concerns, and they have different answers.

Volatility, properly measured, has been declining throughout Bitcoin's history. The standard deviation of monthly returns was higher in 2011 than in 2015, higher in 2015 than in 2019, and higher in 2019 than in 2023. This is the expected behavior of an asset moving through stages of monetization. As the market capitalization grows and the holder base diversifies, the volatility compresses. It is still high relative to a Treasury bond. It is no longer extreme relative to a small-cap technology stock.

Position sizing addresses the catastrophic loss concern directly. A one percent portfolio allocation to Bitcoin cannot produce a catastrophic loss at the portfolio level, even in a Bitcoin drawdown of eighty percent. A one percent allocation that drops eighty percent costs the portfolio eighty basis points. This is recoverable. This is normal portfolio variance.

The mathematics work in the other direction as well. A one percent allocation to an asset that produces a multi-bagger return contributes meaningfully to portfolio performance. The asymmetry is the point. Bitcoin's risk profile is not analogous to an equity position sized at fifteen or twenty percent. It is analogous to a small option position or a venture exposure: bounded downside (the position size) and asymmetric upside potential (potentially uncapped).

Suggested response language:

“Bitcoin is a volatile asset. I am not going to tell you it is not. The reason it can still belong in a portfolio is that its risk profile is structurally different from an equity position. An equity at fifteen or twenty percent of the portfolio puts that fifteen or twenty percent at risk. A Bitcoin position at one percent puts one percent at risk, with the upside still

uncapped. We are not allocating to it the way we allocate to your equity exposure. We are allocating to it the way you would size a small option position or a venture stake: bounded downside, asymmetric upside.”

Objection Two: “It Has No Intrinsic Value”

This objection comes most often from clients with a value-investing background or an engineering or real estate background. They want to know what is “behind” Bitcoin. They are not satisfied with the answer that Bitcoin is digital, scarce, and secured by computation. They want a cash flow or use case.

The honest answer is that Bitcoin does not produce cash flow, and to understand its use case you have to understand what money is to begin with. Bitcoin is not a productive asset in the way a stock or a real estate property is productive, and it has no industrial “use” the way gold has uses in jewelry, electronics, and dentistry. Treating it as such will produce confusion.

Start with gold, since the objection takes gold as its reference point. Gold’s industrial and technological uses (electronics, dentistry, aerospace) account for a small minority of annual demand. The majority of gold’s value derives from its monetary role: central bank reserves, sovereign hedging against fiat debasement, household holdings against inflation, and jewelry that in many cultures functions as portable household wealth more than as decoration. Strip away the industrial demand and most of gold’s market is unaffected. Strip away the monetary demand and gold would trade closer to a base metal. The “use” that makes gold valuable as gold is the monetary use, not the industrial one. The same principle applies to

Bitcoin. The question is not whether Bitcoin has industrial utility; it is whether it serves the monetary function. Monetary function is itself a use case, the original use case for which the concept of money was invented.

Money serves two functions: store of value and medium of exchange. Bitcoin currently functions as a store of value for many holders, and the rails for medium-of-exchange use are being built (the next several objections cover the empirical record).

The best way to understand Bitcoin is as a monetary asset. Monetary assets do not produce cash flow. Gold does not produce cash flow. The dollar bill in your wallet does not produce cash flow. A Treasury bill produces nominal cash flow, but the cash flow is in dollars, which are themselves a monetary asset that does not produce cash flow.

The value of a monetary asset is its monetary properties: scarcity, durability, divisibility, portability, verifiability, and acceptance. These are not “intrinsic value” in the equity sense. They are the properties that make something useful as money.

Gold is the closest historical analog. Gold has been a meaningful monetary asset for thousands of years, and it has done so without producing any cash flow. The reason gold has held value is its monetary properties, plus the social agreement (across cultures and centuries) that gold is money. The price of gold reflects the demand for those monetary properties.

Bitcoin is an attempt to provide the same monetary properties, in digital form, with a harder supply schedule. Whether the social agreement will form around Bitcoin in the way it formed around gold is the open question. The answer will take decades to be settled.

Suggested response language:

“You are right that Bitcoin does not produce cash flow. That is because it is a monetary asset, not a productive asset. Gold does not produce cash flow either. Cash itself does not produce cash flow. Monetary assets derive value from their monetary properties: scarcity, durability, portability, divisibility. The question for an investor is whether you want some exposure to a monetary asset with the hardest supply schedule that has ever existed. That is a different question than whether it produces a dividend.”

Objection Three: “It Is Pure Speculation”

This is the objection that is most often used to end the conversation. It is also the easiest to address with data, because the institutional adoption record now contradicts it directly.

Pure speculation is what happens when there is no institutional infrastructure, no professional analysis, no qualified custodians, no regulatory framework, and no fiduciary participation. By those measures, Bitcoin was speculative in 2013. It is not speculative in the same way today.

The infrastructure now includes:

- Spot Bitcoin ETFs approved by the SEC, issued by major asset managers, and held in client accounts at major custodians.
- Qualified custodians (state-chartered trust companies and federally regulated entities) holding institutional Bitcoin positions with audited reserves.

NO POSITION IS A POSITION

- Public company treasury holdings, including from companies that have made Bitcoin a central part of their corporate strategy.
- University endowments, pension funds, and sovereign wealth funds with disclosed Bitcoin positions.
- Regulatory frameworks at the state level (New York’s BitLicense, Wyoming’s SPDI charter, Oregon’s regulatory approach) and at the federal level (CFTC commodity classification, SEC ETF approvals, FinCEN money transmitter rules).

None of this proves that Bitcoin is a good investment. It does demonstrate that the asset is no longer in the speculative category in any meaningful institutional sense. The professional infrastructure has been built.

The deeper version of this objection is sometimes worth engaging. Some clients are not arguing that Bitcoin lacks infrastructure; they are arguing that the price reflects greater-fool dynamics rather than fundamental demand. This is a more sophisticated objection.

The response is that all monetary assets reflect a form of social agreement. The dollar has value because people agree it has value, backed by the institutional credibility of the United States government. Gold has value because people have agreed for thousands of years that gold has value. Bitcoin has value because a growing group of people agree it has value, and the reason they agree is because of the asset’s monetary properties.

The objection that Bitcoin is “just” a social agreement applies, in varying degrees, to every form of money that has ever existed. The relevant question is whether the social agreement is growing or shrinking, and whether the asset’s monetary properties support the agreement holding over time.

Objection Four: “But What Is It For?”

The objection sometimes goes one step further. A client may concede that Bitcoin has institutional infrastructure and that all money rests on social agreement, but still object that Bitcoin “has no use.” The dollar is used to pay for goods. Gold is used in jewelry and electronics. Real estate is lived in or rented out. Bitcoin, in this framing, just sits there.

There are two responses, and both are honest.

The first is that there are two use cases for money: store of value and medium of exchange. Gold, for example, has served as a store of value for thousands of years, and it is not a trivial one. The function of storing purchasing power across time (attempting to beat inflation), across borders, and across political regimes is the function that monetary assets ideally exist to perform.

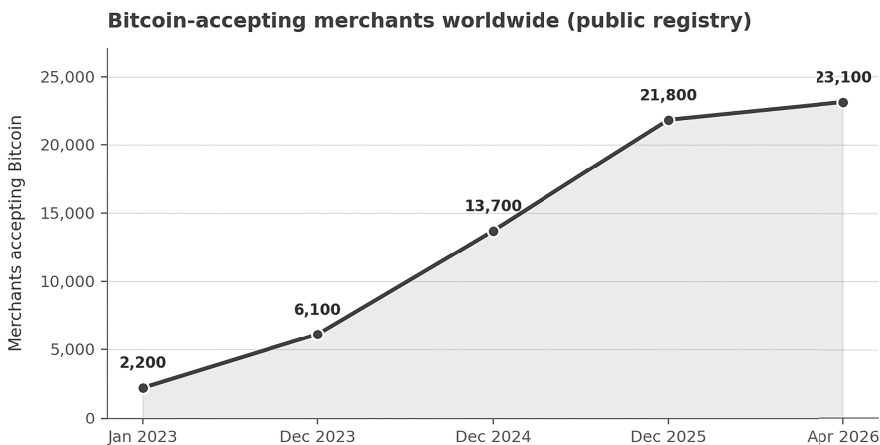
The client may object again: real estate and stocks also store value. That is correct, but they do so as a downstream effect of a different primary use. Real estate’s primary use is shelter or rental income; its store-of-value property (price appreciation + income) comes from land scarcity plus that utility. Stocks’ primary use is ownership of productive enterprises generating cash flow; their store-of-value property is downstream of that. Both are useful assets. Neither is designed for the monetary function. Gold and Bitcoin are. The monetary category exists precisely because some assets are selected for the storage function itself, not as a side effect of producing something else.

Calling Bitcoin’s store-of-value function “not a use” assumes that only consumption or productive deployment counts as use. That is not how monetary economics has ever worked. The dollar bill in a vault is performing a use, the same use a Treasury bill or a gold bar in a safe is

performing. The use is the storage itself, and the question is how well it performs its intended use.

The second is that Bitcoin is also developing as a medium of exchange, particularly through the Lightning Network, which is a second-layer protocol that allows Bitcoin transactions to settle in seconds at near-zero cost. As of this writing, Lightning is integrated into Cash App and Square's point-of-sale systems for Block's merchant base, into Strike for retail and cross-border payment, and into the standard infrastructure of major exchanges for deposits and withdrawals. Monthly Lightning transaction volume runs in the millions. International remittance flows through Lightning have grown materially year over year. The transactional use case is real and operating today.

Merchant acceptance has followed a similar trajectory. The public registry of Bitcoin-accepting merchants has grown roughly tenfold over the last three years, and the registry itself is a lower bound. Square's 2026 rollout extended Bitcoin acceptance to several million merchants through its point-of-sale system that the registry does not capture.



Source: BTC Map public merchant directory. Excludes ATMs and exchanges. Undercounts true total; many merchants on processor networks (e.g. Square's 2026 rollout) are not in the registry.

The merchant-side economics are part of why this is happening. A typical card transaction in the United States costs the merchant between two and three percent of the sale, with the larger share going to the card-issuing bank as interchange and the remainder going to the processor and the card network. For a restaurant or a retailer operating on single-digit net margins, that two-to-three-percent acceptance cost is a meaningful drag. A Lightning payment settles in seconds at a fee that is typically a fraction of one percent, often a fraction of a cent. The transaction goes directly from the customer's wallet to the merchant's wallet without an intermediary bank capturing a cut. For merchants who already operate on thin margins and who do not depend on the customer-acquisition benefits of the card-rewards ecosystem, the math favors Lightning at the margin. This is the structural reason Square, Cash App, and Strike have built Lightning into their merchant offerings, and the reason adoption is growing in places like food service, content publishing, and cross-border remittance where transaction fees compound visibly.

What is not yet proven is whether Lightning can scale to the throughput of the global card networks. Bitcoin's base layer settles roughly seven transactions per second, which is why a second-layer solution like Lightning exists. Visa sustains roughly twenty-four thousand transactions per second on its network. Lightning's protocol-level theoretical capacity is much higher, potentially in the millions of transactions per second across aggregated channels. Measured throughput on the live public network is a small fraction of that today. The gap between theoretical capacity and current measured volume is large. Whether Bitcoin can serve as the payment rail for global commerce, in addition to its store-of-value function, is a genuinely open question. The honest answer is that it serves the retail and remittance use case today, the design supports much more, and the empirical record over

the next several years will determine whether the rest of the use case materializes.

For the portfolio question, the relevant point is narrower. Bitcoin does not need to displace Visa to justify a one or two percent allocation. It needs to continue serving as a credible monetary store of value, with optional and developing transactional utility. That is the thesis. The “no use” framing assumes Bitcoin must do everything to be worth anything. That standard is not applied to gold, which has limited transactional use today and is still considered a legitimate monetary asset. It should not be applied to Bitcoin either.

Objection Five: “Bitcoin Failed as a Currency”

This objection is related to the previous one but more pointed. It claims that Bitcoin was originally proposed as peer-to-peer electronic cash, that Satoshi Nakamoto’s 2008 paper described it that way, and that fifteen years later Bitcoin is not used as cash. The objection concludes that the original mission failed and that the asset’s current valuation rests on a story that did not come true. The objection is wrong on two levels: empirical and conceptual.

On the empirical level, the claim that nobody uses Bitcoin as cash is no longer factually correct. The previous section described the Lightning Network integration across Cash App, Square, and Strike. A few specific cases sharpen the point.

Steak n Shake, the American restaurant chain with 393 U.S. locations, integrated Lightning Network payments across its entire footprint on May 16, 2025. At the Bitcoin 2026 conference in April, the chain’s Chief MAHA Officer Michael Boes reported that Bitcoin payments

cut processing fees by approximately fifty percent compared to credit cards, with projected annual savings of roughly six million dollars if every customer switched. Same-store sales grew eleven percent in Q2 2025 and fifteen percent in Q3 2025, which Boes described as the highest same-store sales growth of any restaurant in the industry, outpacing McDonald's, Taco Bell, and Domino's. This is not an ideological claim. It is a unit-economics claim made by a public company, in front of investors.

Block, the publicly traded payments company founded by Jack Dorsey, integrated Bitcoin payments directly into its Square point-of-sale system. Initial rollout began November 10, 2025. On March 30, 2026, Bitcoin acceptance was automatically enabled by default across approximately four million eligible U.S. merchants, roughly seventy-eight percent of Square's user base. Processing fees on Bitcoin transactions through Square are zero through the end of 2026, with a one percent flat fee scheduled for 2027, still well below the two-to-three percent standard for card processing. Tap-to-pay Bitcoin is now live on the same NFC hardware that accepts contactless cards, with the Lightning Network running on the backend. Strike, another Bitcoin payments platform, processed more than two million Lightning transactions monthly as of April 2026 and offers a Lightning-address payment system that functions like email for money.

So the empirical claim that nobody uses Bitcoin as cash is not factually correct. People use Bitcoin as cash today, on multiple competing platforms, in growing volume, with confirmed cost savings to merchants. The claim was correct in 2018. It is no longer correct. Advisers and clients who continue to repeat it have not updated their information.

On the conceptual level, even if Bitcoin were not used as cash today, the inference that Bitcoin failed would not follow. Money does not

typically become useful as a medium of exchange before it becomes useful as a store of value. The historical sequence runs the other way. An asset becomes a store of value first, then a unit of account, then a medium of exchange. That sequence describes gold, silver, the dollar, the British pound, and every other widely adopted monetary asset. The asset must first be valued and held before it can circulate.

Bitcoin is roughly two-thirds of the way through that sequence. The first decade established it as a store of value. The second built the custodial and ETF infrastructure that brought institutional capital into the asset. The current decade is building the rails for use as a medium of exchange, which is exactly what the Lightning Network and the merchant integrations described above represent. The objection that Bitcoin has not yet completed the third stage is not an objection to Bitcoin. It is an observation that Bitcoin is on the same timeline every other monetary asset has followed, slightly ahead of schedule by historical standards.

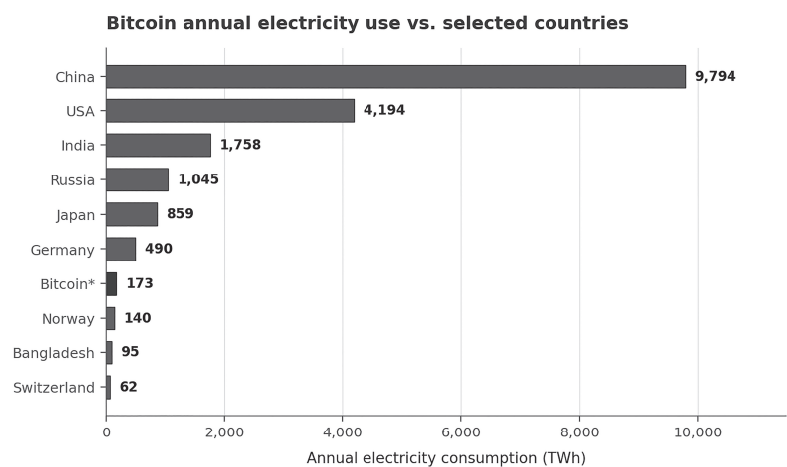
For the adviser conversation, the relevant takeaway is the same as for the previous objection. The “failed as currency” framing assumes Bitcoin should already be doing everything a mature monetary system does, ignores the empirical record of growing transactional use, and applies a standard not applied to gold (which is also not used to buy coffee). None of those are good reasons to reject an allocation. They are reasons to be careful about which framing the client has absorbed, and to update it with current data.

Objection Six: “It Uses Too Much Energy”

This objection became prominent in 2021 and has persisted. It is also the objection most distorted by selective reporting.

The actual energy consumption of the Bitcoin network is in a measurable range. The Cambridge Centre for Alternative Finance maintains an estimate that has historically been between 100 and 200 terawatt-hours per year, depending on the methodology and the time period. Industry estimates from sources like the Bitcoin Mining Council have been in a similar range.

The most common way this objection is framed is by comparing Bitcoin’s electricity use to that of entire countries. The comparison is accurate as far as it goes. Bitcoin does use more electricity than some small and medium economies, and less than larger ones.

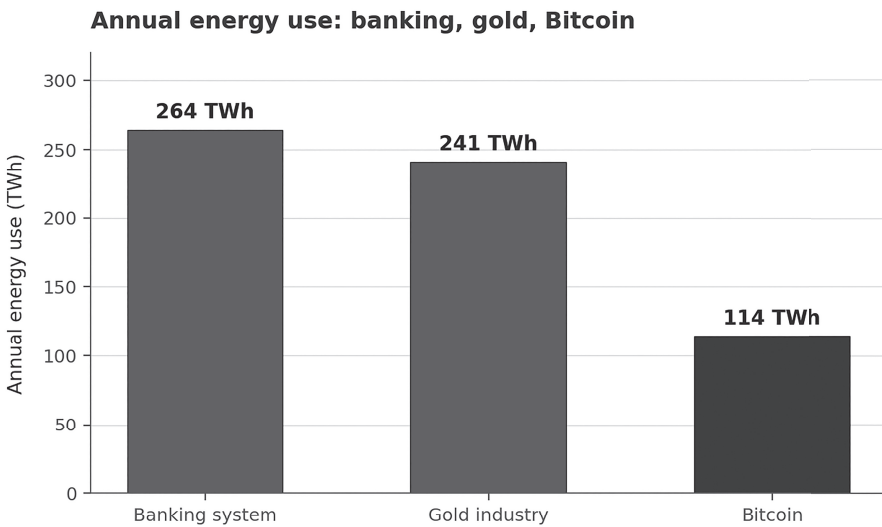


Sources: Country data, Enerdata 2024 (consumption). Bitcoin figure (*), Cambridge Centre for Alternative Finance point estimate, 2026 (range 80 to 390 TWh).

The framing problem is that this is the only comparison most clients have heard, and it is not the most useful one. Bitcoin is not a country. It is a monetary network. The relevant comparison is to other monetary networks.

On that comparison, the picture changes. The global banking system is estimated to consume roughly 260 terawatt-hours per year (data

centers, branches, ATMs, card networks, settlement infrastructure). Gold mining and refining is estimated at roughly 240 terawatt-hours per year. These figures are from a 2021 Galaxy Digital study and have not been re-estimated comprehensively since, but the order-of-magnitude comparison is consistent across multiple sources. Bitcoin uses less energy than the banking system it is compared with and less energy than the legacy monetary metal it is most often analogized to.



Source: Galaxy Digital, "On Bitcoin's Energy Consumption: A Quantitative Approach to a Subjective Question" (May 2021). Banking includes data centers, branches, ATMs, and card networks. Gold includes mining, refining, and recycling.

The energy mix is also relevant. Bitcoin mining is highly responsive to electricity cost. The economics of mining drive miners toward the cheapest available electricity, which is increasingly stranded renewable energy, flared natural gas (which would otherwise be vented), and grid-stabilizing demand response arrangements. Multiple industry surveys have reported that the share of renewable energy in Bitcoin mining is higher than the global electricity grid average.

None of this means Bitcoin uses no energy. It does use energy. The energy use is the point. The proof-of-work consensus mechanism requires energy expenditure as the cost of securing the network. The security of the network is proportional to the energy expended. This is the design.

The reasonable framing is that Bitcoin uses energy to secure a monetary network, in the same way that banks use energy to secure a banking network and gold mining uses energy to produce monetary metal. The question is whether the monetary asset that results is worth the energy expended. That is a value judgment, not an engineering complaint.

Objection Seven: “I Cannot Recommend Something I Do Not Understand”

This is the most honest objection, and it is the one that this book is most directly intended to address. It is also the objection most directly addressed by the survey data on adviser preparedness. Clients are allocating regardless of adviser engagement, and the adviser who cannot have the conversation often loses it.

The honest answer is that you do not need to understand the cryptographic primitives to allocate intelligently to Bitcoin, just as you do not need to understand semiconductor lithography to allocate to a semiconductor stock. You need to understand the asset’s role in a portfolio, its risk profile, its implementation options, and the compliance requirements.

This book is designed to give you that working knowledge. After reading it, you will not be a Bitcoin expert. You will be conversant, with

enough framework to evaluate a client's specific situation and decide, in coordination with the client, whether and how to allocate.

The cost of remaining unprepared is documented in the survey data referenced in Chapter One. Clients are allocating regardless of adviser preparation. The advisers who prepare retain the conversation. The advisers who do not prepare lose the conversation, and frequently lose the assets that go with it.

A Note on Tone

In every one of these client conversations, the right tone is the one this book has tried to model: respectful of the concern, direct about the data, honest about the risks, and unwilling to oversell.

The adviser's job is not to convince the client that Bitcoin is a good investment. The adviser's job is to give the client the framework to make a decision, document the decision properly, and implement competently if the decision is to allocate.

If you do this well, two things follow. Clients who are skeptical will respect the analysis even if they decide not to allocate. Clients who are interested will allocate inside the relationship rather than outside it. Either outcome strengthens the relationship.

A practical note. Some advisers will read this chapter, recognize the value of being able to handle these conversations well, and decide that developing this depth of fluency themselves is not the best use of their time. That is a reasonable decision. Running an advisory practice already absorbs the bandwidth of a full intellectual life, and adding Bitcoin-specific fluency on top of portfolio architecture, financial

planning, tax coordination, and client management is more than many advisers want to take on. Veritas Bitcoin Strategies exists in part to fill that gap. When an adviser wants the client conversation to happen at the level of seriousness this chapter describes but does not want to be the one carrying it, Veritas can join the conversation as a partner. The adviser remains the client's primary relationship. The depth is provided without the adviser having to acquire it personally. The website is familyofficebitcoin.com. I can be reached by phone at 503-607-7454, or by text at 503-354-1738. Appendix C describes the working model in more detail.

The next chapter offers specific frameworks for the most common client profiles.

CHAPTER 4

Client Conversation Frameworks

Not every client conversation about Bitcoin is the same. The right framework depends on the client's circumstances, time horizon, risk tolerance, and the underlying reason they are asking the question. This chapter offers four working profiles and the framework appropriate to each.

The frameworks are starting points, not scripts. Adapt them to your voice and to the specific client. The goal is not to memorize language but to internalize the structure so that the conversation can be navigated in real time without improvisation on the difficult parts.

Profile One: The Conservative Investor Worried About Volatility

This client is typically in or near retirement, focused on capital preservation, and attentive to drawdowns. They have raised Bitcoin because they want to understand it. They may be curious, they may be considering an allocation, or they may have heard something that prompted the question. The fact that they have raised it means it is worth a real conversation.

The framework starts with honesty. Bitcoin's volatility is real. The conservative client's caution about an unfamiliar asset is a reasonable starting point, not a conclusion. The adviser's job is to move the conversation from caution to analysis, because that is what serves the client. A reflexive "you do not need this" answer is comfortable for the adviser and incomplete for the client.

The analytical move is to ask what role Bitcoin would play in the portfolio if it were included at all. For a conservative client, the role is rarely about asymmetric gains. It is about diversification against monetary debasement and against equity-correlated drawdowns. Looked at that way, the question is not whether Bitcoin is too risky in isolation. The question is whether a small, structured Bitcoin position could lower the portfolio's risk relative to a portfolio without it. Depending on the size and the implementation, the answer is often yes. Adding a low-correlation asset to a diversified portfolio, at the right size, can reduce portfolio variance even when the added asset is itself volatile. This is portfolio theory applied honestly, not Bitcoin advocacy.

Implementation for this profile typically runs through familiar infrastructure: a spot Bitcoin ETF in the client's existing brokerage account, or a risk-managed strategy that explicitly caps the downside. Both options keep the position trackable, liquid, and integrated into the rest of the plan. Position sizing is a conversation, not a formula. The right number depends on the client's overall plan, not on a rule of thumb that applies across all conservative investors.

This is also a client profile for whom risk-managed Bitcoin strategies were designed. A buffered or risk-mitigated structure addresses the catastrophic-loss concern at the position level rather than relying solely on small position sizing to bound the exposure. The conservative

profile is one of several fits for this category. Others include allocators who want Bitcoin exposure inside a portfolio with strict drawdown constraints, foundations or endowments whose spending policies cannot tolerate large mark-to-market swings, and multi-generational families using Bitcoin as a long-term store of value where the path of returns matters as much as the destination. In each case, the capped upside that comes with downside protection is an acceptable trade because the allocator is not pursuing asymmetric beta; they are pursuing structured participation. Chapter Five covers the mechanics of these strategies in detail, including a disclosure that the author's firm runs one. The general analytical framework presented there applies regardless of which manager an adviser evaluates.

Suggested approach in conversation:

“Given where you are in your life, the right question is not whether Bitcoin is too risky in the abstract, but how it would fit in your portfolio. The implementation should look like your other investments: held in a brokerage account, easy to track, easy to liquidate. The goal (assuming the client decides to allocate) is to participate at a level that does not change your overall risk profile, and there are two ways to do that. The first is a small direct or ETF position, sized so that even a severe drawdown is a manageable loss. The second is a structured strategy designed specifically to cushion the downside, which lets you take meaningful exposure with the worst-case outcome bounded by design. Either approach is reviewable like any other position. My recommendation for someone in your situation would be [specific path], at [specific size], for [specific reasons that match the client's plan]. That is the same kind of recommendation we make on any other position in your

portfolio, like sizing a single equity holding or deciding how much to put into a given sector. The analysis is what makes the recommendation worth something.”

This is a frame that respects the client’s caution while engaging with the question seriously. It does not pretend Bitcoin is risk-free. It does not pretend the client should be afraid of it either. Either decision is defensible, and the adviser has done the work of presenting the analysis fairly.

Profile Two: The Younger Accumulator

This client is typically in their thirties or forties, in the wealth accumulation phase, with a long time horizon, meaningful human capital, and a higher tolerance for portfolio variance. They may have already bought Bitcoin on their own, or they may be asking about it for the first time. The conversation looks different depending on which.

For the younger client who has not yet allocated, the framework looks like a stronger version of the conservative profile. Long time horizon and high human capital both argue for taking more, not less, of the asymmetric exposure that defines Bitcoin’s risk-return profile at small position sizes. The conservative profile’s argument that a small allocation can participate in upside without changing the overall risk profile applies here too, with the position size potentially moved higher because the time horizon is longer and the client can ride out drawdowns that would be unacceptable to a near-retiree. Implementation typically combines spot exposure (on-chain preferred) for the long-term hold with a risk-managed allocation for the portfolio-level Bitcoin participation, as Chapter Five describes. The recommendation should match the client’s overall plan and the role Bitcoin would play in it.

For the younger client who has already allocated, the conversation pivots. The questions are different and the value the adviser adds is concentrated in different places. Discovery comes first. How much have they purchased? Where is it held? How does the position size compare to the rest of their balance sheet? What is their time horizon? What is their plan if Bitcoin draws down seventy percent next year? What is their plan if it triples?

These questions matter because they reveal whether the existing position is well-matched to the client's understanding and plan. A client who has put thirty percent of their net worth into Bitcoin with very little self-study needs a different conversation than a client who has put thirty percent into Bitcoin after reading every white paper and Austrian economics text they could find. The fit between the position, the client's understanding, and the rest of the plan is what the adviser is evaluating.

Once the position is understood, the framework addresses three issues: position sizing relative to the overall plan, custody upgrade, and tax planning.

Position sizing means deciding whether the existing position fits the client's understanding, time horizon, and overall plan. This is a conversation, not a calculation. There is no formula that produces the correct Bitcoin allocation. There are frameworks that help the client think through it.

Custody upgrade is where the adviser adds the most operational value for the already-allocated client, but it requires a certain level of expertise on the part of the adviser. Most retail Bitcoin holders purchased through an exchange and left the position there. That is acceptable for a small position. It becomes inadequate at scale, for three reasons.

First, the holder does not control the private keys; the exchange does. Major exchange failures (Mt. Gox in 2014, FTX in 2022, and others) have produced significant customer losses, sometimes partial and recoverable through bankruptcy proceedings, sometimes total. Second, the holder has limited recovery options if the exchange suspends service or restricts withdrawals. Third, the holder is often paying for custody indirectly through trading spreads rather than transparently through a custody fee. The upgrade conversation moves the position toward an appropriate custody arrangement: a spot ETF held in the client's existing brokerage, direct ownership at a qualified custodian, or for clients with the technical capacity and interest, a collaborative custody arrangement with the client holding multiple keys distributed across hardware devices and locations. Chapter Five describes the on-chain custody options in detail. This is also a conversation where partnership with a Bitcoin-specialist firm is useful, because the custody upgrade decision involves technical considerations most advisers are not equipped to walk a client through alone.

Tax planning means looking at the existing holdings for opportunities. If the client has positions at a loss, harvesting may be useful (and Bitcoin is not currently subject to the wash sale rule, as discussed later in this chapter). If the client has positions at a significant gain, the conversation shifts to long-term holding, gifting, trusts, or other planning tools. For clients at sufficient scale (typically five million or more in liquid assets, with substantial unrealized gains), Private Placement Life Insurance (PPLI) is worth a separate conversation as a structure for sheltering future appreciation and eventual transfer. PPLI is covered in more depth in the multi-generational profile that follows.

The accumulator profile is often where the adviser can add the most value, because the client either has not yet thought through the structural

questions or has acted before thinking them through. Either way, the adviser's recommendation backed by a real framework is what makes the conversation worth something.

Profile Three: The Business Owner and Entrepreneur

This profile is the one where Bitcoin allocation often makes the most structural sense. Whether the conversation itself is easy depends on the specific client's industry, monetary worldview, and temperament. The structural fit is the constant. The receptivity varies.

Business owners and entrepreneurs typically have:

- High income.
- A concentrated equity position in their own business.
- A long time horizon (they are working).
- A high tolerance for risk (they own a business).
- A skeptical relationship with the financial system (they know what they are paying in financing & credit card costs).
- A natural understanding of asymmetric thinking (they are running an asymmetric venture).

This client profile maps well onto Bitcoin allocation because it matches the asset's risk-return profile and because the client's mental model already accommodates asymmetric exposures.

The conversation usually does not need to start with what Bitcoin is. It needs to start with what role it plays in the overall plan. For a business owner whose primary risk is concentration in their own business, Bitcoin can function as a diversifier against system-level monetary risk. For an entrepreneur whose income is variable and whose net worth

fluctuates with business performance, Bitcoin can function as a long-term store of value outside the operating business.

The framework here may involve larger position sizes than in the conservative or accumulator profiles. A business owner with significant liquid wealth, high risk tolerance, and the depth of understanding to support the position may allocate well into double digits as a percentage of liquid net worth, with the specific number driven by the client's plan, conviction, and overall risk picture rather than a rule of thumb.

Implementation for this profile often emphasizes a mix of vehicles. The long-term hold is typically on-chain Bitcoin held through a qualified custodian, with multi-generational intent. The portfolio-level Bitcoin participation often sits in a risk-managed SMA strategy that lets the client carry meaningful total exposure without the unhedged volatility profile. A spot ETF position may sit alongside both for liquidity or tactical purposes. Drawdown management and long-term education is still highly important post-allocation.

The conversation tone with this profile is straightforward. They generally do not need persuasion. They need analytical structure, implementation options, and tax integration.

Profile Four: The Multi-Generational Family

This profile is most relevant to advisers serving high-net-worth and ultra-high-net-worth clients, but the framework applies whenever the conversation extends across generations.

The multi-generational client is thinking about wealth that will outlast them. The relevant time horizon is fifty years, not five. The relevant

risk is not next year's volatility. It is the slow erosion of purchasing power over decades.

This is the framework where Bitcoin's monetary argument has the most relevance. The argument that fiat currencies lose purchasing power over time is uncontested at the long horizon. The data shows it clearly. A dollar in 1971 has lost roughly eighty-five percent of its purchasing power. Other major currencies show similar patterns.

Over a fifty-year horizon, the question is not whether to take some currency-debasement risk seriously. It is how to hedge against it. Historically, gold has been the answer. Bitcoin proposes to be a complementary or alternative answer, with a harder supply schedule and digital portability.

The framework for this client emphasizes long-term holding, tax-efficient structures, generational transfer mechanics, and custody arrangements appropriate to multi-generational time horizons.

Private Placement Life Insurance (PPLI) is worth understanding at this client level. PPLI is a variable universal life insurance contract under IRC §7702 that allows the policyholder to hold non-traditional assets, including Bitcoin, inside an insurance wrapper. The structural advantages for multi-generational planning are meaningful. Assets inside the policy grow tax-deferred. Policy loans against cash value are not income-taxable under IRC §72(e). The death benefit passes to beneficiaries income-tax-free under IRC §101(a). When the policy is owned by an irrevocable life insurance trust or comparable structure, the death benefit can also be excluded from the taxable estate.

The forward-looking case for PPLI on Bitcoin is stronger than the backward-looking case. A family that allocated to Bitcoin recently

may not have substantial unrealized gains yet, but the question is what the position becomes over a multi-generational horizon. At a compound annual growth rate of twenty to thirty percent (well below Bitcoin's historical CAGR over multiple windows), a position doubles roughly every three years and grows by an order of magnitude every decade. A one percent allocation today, left to compound, becomes a meaningful portion of the estate in fifteen years and a dominant one in thirty. A five percent allocation, on the same trajectory, becomes the estate. This is the structural problem PPLI is built to solve. For a family holding Bitcoin (whether at small or large position size today) with the expectation that the position will compound across generations, PPLI shelters that future growth from annual taxation and transfers the asset across generations without triggering income or estate tax on the appreciation. The earlier the structure is built, the more compounding happens inside the wrapper rather than inside the taxable estate.

The tradeoffs are real. PPLI is a sophisticated structure requiring specialized carriers (often offshore, typically Bermuda-based) and coordination with experienced tax counsel, with practical minimums typically in the five-to-ten-million-dollar range of liquid assets or unrealized gains. The structure is not appropriate for every client, but for the right client, it is one of the most powerful planning tools available for digital assets. Implementation requires legal counsel experienced in PPLI structures with digital asset components. The adviser's role is to know that the structure exists, to know when to raise it, and to coordinate the team that builds it.

Advisers working with multi-generational families will find the white paper Bitcoin and the Architecture of Wealth Preservation a useful companion to this section. It treats the long-horizon preservation case

in more depth than space allows here and is available at no cost at familyofficebitcoin.com.

The conversation should emphasize structure over speculation. The family is not trying to time the market. They are trying to build a portfolio that survives multiple generations through whatever monetary regime the world produces. Bitcoin's case in this conversation rests on the durability of its monetary properties, not on near-term price movement.

What All Four Frameworks Share

Across all four profiles, certain principles are constant.

The adviser's job is to provide structure, not opinions. The client's circumstances determine the right answer. The adviser's role is to help the client think clearly within those circumstances.

Position sizing is a function of overall risk tolerance and time horizon, not of conviction about Bitcoin. A client with a high tolerance and a long horizon can carry a larger position than a client with a low tolerance and a short horizon. The asset is the same. The position size is what scales.

Implementation should match the client's actual needs, not just their account size. Spot ETFs work well for clients who want simple, liquid, brokerage-held exposure. Direct ownership through a qualified custodian fits clients with multi-generational intent or active tax planning needs. Risk-managed SMA strategies fit clients (at any position size) who want Bitcoin exposure with structural downside protection, including conservative clients whose volatility tolerance would other-

wise keep them out of the asset entirely. The right vehicle is determined by what the client needs the position to do, not by a sliding scale tied to dollars.

Documentation matters. Every Bitcoin conversation should be documented in the client file, with the relevant risk disclosures, the suitability rationale, and the implementation chosen. Chapter Six covers this in detail.

The adviser is not selling Bitcoin. The adviser is providing a framework. If the framework leads the client to allocate, the adviser helps with implementation. If the framework leads the client not to allocate, the adviser documents the conversation and the decision. Either outcome is professionally acceptable. The unacceptable outcome is the unprepared conversation that pushes the client to act outside the relationship.

A Brief Word on Sample Language

The suggested language in this chapter is meant to illustrate tone and structure, not to be recited. Clients can hear scripted language from a mile away, and it undermines credibility. The adviser's job is to internalize the framework so that the conversation can be conducted naturally, in the adviser's voice, adapted to the specific client.

The next chapter turns to the implementation options themselves: spot ETFs, direct ownership, and managed strategies.

CHAPTER 5

Implementation Options

Once the decision to allocate has been made, the next question is how. The choice is best framed as two categories rather than three. The first is spot Bitcoin exposure: the client owns Bitcoin, directly or indirectly. The second is risk-managed exposure: the client owns a structured combination of buffered ETFs, treasury equity proxies, and tactical spot positions that produces Bitcoin participation with the worst-case outcome bounded by design. These two categories do different things and most clients should hold both. The earlier framing of “ETF versus direct versus SMA” obscures the actual decision the adviser is making.

This chapter covers both categories, the sub-paths within each, and the way they fit together in a serious implementation.

Spot Bitcoin Exposure

Spot exposure means the client is directly exposed to the price of Bitcoin. The exposure tracks Bitcoin one-for-one. In a year where Bitcoin runs ninety percent, an unhedged spot position runs ninety percent. In a year where Bitcoin draws down seventy percent, the position draws down seventy percent. This is the trade. There are two sub-paths to take spot exposure, and they are not equivalent.

On-Chain (the cleaner form)

On-chain exposure means the client owns actual Bitcoin held on the Bitcoin network, either at a qualified custodian or through self-custody. The economic exposure is the same as an ETF, but the legal and structural picture is meaningfully different. The client owns the asset rather than shares of a fund that owns the asset.

For a client taking pure spot exposure, the on-chain route is structurally cleaner than the ETF route in nearly every dimension that matters.

- **Direct ownership.** The client owns Bitcoin, not a security that holds Bitcoin. There is no fund layer, no Sponsor, and no intermediate trust.
- **Tax flexibility.** Bitcoin held directly is treated as property under IRS guidance. At the time of this writing, the wash-sale rule that applies to securities does not apply to direct Bitcoin. This creates tax-loss harvesting flexibility that the ETF does not offer.
- **Fork rights.** If a contentious hard fork produces a new asset, the holder of on-chain Bitcoin has the option to claim either or both sides. The ETF Sponsor, in most cases, has explicitly committed in the prospectus to abandon rights to forked assets on behalf of shareholders. In the one instance where this isn't true (IBIT), Blackrock decides which new fork constitutes Bitcoin. In either case, ETFs sacrifice optionality.
- **No annual expense ratio.** Custody fees exist but are typically lower than fund expense ratios at scale, and they are tied to assets held rather than embedded continuously in the security price.
- **Multi-generational portability.** On-chain Bitcoin can be held in self-sovereign custody arrangements that survive any specific institution's failure. ETF shares can be transferred, trusted, gifted, and inherited, but they remain inside the regulated brokerage system

and cannot be redeemed for the underlying Bitcoin by a retail shareholder. For multi-generational holders who want the position to outlive the institutions that hold it, the distinction matters.

The honest tradeoff is that on-chain custody usually requires a more intense commitment to self-custody, deeper client education, and additional onboarding outside the client's existing brokerage, Fidelity being the exception to this. The Bitcoin is held in a separate account at a separate custodian, not on the client's existing brokerage statement. This requires the adviser to coordinate the relationship with the qualified custodian, the reporting feed into the firm's performance system, and the operational handoffs that come with any new vehicle. For most advised relationships at meaningful position sizes, the operational infrastructure for on-chain custody is worth building once and reusing across clients.

For clients who want pure spot Bitcoin exposure, on-chain is the ideal and recommended route in nearly every case.

ETF (the friction-tradeoff form)

Spot Bitcoin ETFs were approved by the SEC in January 2024. Their launch was the most successful in ETF history. Spot Bitcoin ETFs collectively gathered roughly seventy-five billion dollars in first-year assets under management, an unprecedented figure for any new ETF category. BlackRock's IBIT reached ten billion dollars in AUM seven weeks after launch, becoming the fastest ETF to that milestone (the previous record holder, SPDR Gold Shares, took over two years to hit the same level after its 2004 debut). They trade on standard exchanges, custody at standard brokerages, and report on standard 1099 forms. From an operational standpoint, they are indistinguishable from any other ETF.

The underlying mechanic is straightforward. The ETF holds Bitcoin on behalf of shareholders, with the Bitcoin held at a qualified custodian under audit. Shareholders own shares of the ETF, which trade at or near the net asset value of the underlying Bitcoin. The structure has been used for other commodities (gold being the most familiar analog) for decades.

The ETF wrapper trades structural features for operational simplicity. The client gives up direct ownership, tax flexibility, fork rights, and the ability to move the asset outside the brokerage system, and receives in exchange a Bitcoin exposure that behaves like any other ETF inside their existing accounts. For some clients, that tradeoff is worth making. For most clients taking spot exposure at meaningful size, the on-chain route is cleaner.

Where spot Bitcoin ETFs differ from one another is in the structural choices each issuer has made. Treating them as a fungible category is a mistake. Three differences matter most for adviser due diligence: custody, transparency, and hard-fork policy.

Custody. Most issuers, including BlackRock's IBIT, use Coinbase Custody. This concentration matters: if Coinbase ever faced a serious operational, regulatory, or insolvency event, multiple major Bitcoin ETFs would be simultaneously affected. Fidelity's FBTC is structurally different. It holds Bitcoin through Fidelity Digital Assets, an affiliated regulated trust company inside the same parent firm. FBTC clients are not exposed to Coinbase-specific risk. Whether that is "better" depends on the failure mode an adviser is worried about. The point is that the choice of custodian is not a technical detail; it shapes what the client is actually exposed to.

Transparency. Bitwise's BITB stands out for its proof-of-reserves practice. The fund's holdings are reconciled daily on-chain against shares

outstanding, with verification by The Network Firm, a third-party audit firm. Other issuers rely on standard audit cycles without continuous on-chain verification. The reason this matters is in the stress event. If a client ever asks “are the reserves real?”, or if a contagion situation in the broader crypto sector raises that question across the category, the adviser holding a BITB position can point the client to on-chain verification in real time. The adviser holding a different ETF is relying on the audit cycle to answer the same question, which is a slower and less direct path.

Hard-fork policy. Every spot Bitcoin ETF prospectus reserves Sponsor discretion in fork situations. The shareholder does not decide which chain the trust treats as Bitcoin; the Sponsor does. Most prospectuses also include language allowing the Sponsor to abandon rights to forked assets on behalf of shareholders. BlackRock’s IBIT prospectus is the most explicit example. As discussed earlier in this chapter, this is the structural reason the on-chain holder retains fork optionality and the ETF shareholder does not. For the recommendation question, it means an adviser allocating to an ETF should not promise the client fork upside; that optionality lives at the Sponsor level, not the shareholder level.

None of these differences make any specific issuer wrong. They are the structural questions an adviser should be able to answer when recommending one ETF over another.

The legitimate use cases for the ETF rather than on-chain are narrow but real:

- Operational simplicity at scale across many small accounts. For an adviser with two hundred clients each holding a one percent allocation, the ETF inside the existing brokerage is operationally

tractable in a way that two hundred separate qualified custody accounts is not.

- **Liquidity for tactical positions.** The ETF can be bought and sold during market hours at narrow spreads with same-day settlement. Spot Bitcoin trades twenty-four hours but settling fiat in and out of an exchange takes longer.
- **Tax-deferred accounts.** Bitcoin in an IRA or 401(k) is most easily implemented through the ETF, since on-chain Bitcoin in retirement accounts requires specialized IRA custodians.
- **Compliance simplicity.** The ETF is a registered security with a prospectus, which simplifies the suitability file relative to a direct custody arrangement.

Risk-Managed Exposure

The recommendation that on-chain is the ideal form of spot exposure assumes the client wants full volatility spot exposure in the first place. Many clients cannot handle that level of volatility. Pure spot exposure puts Bitcoin's full volatility into the portfolio, which for many clients means the position has to stay small enough that it doesn't move the plan's risk profile. Risk-managed exposure addresses a different problem: how to give the client meaningful Bitcoin participation without inheriting Bitcoin's drawdown profile in the overall portfolio.

Risk-managed exposure is a separately managed account structure that combines Bitcoin participation with explicit downside protection. The strategy does not replace spot exposure. It complements it.

The reason has to do with what an unhedged Bitcoin position does to a portfolio. Bitcoin's annualized volatility has historically been multiple times that of equities. An unhedged position above a very small

allocation (usually 0.5%) contributes a disproportionate share of the portfolio's overall risk budget. For most clients, this is the structural constraint that caps how much Bitcoin they can responsibly hold. The unhedged position is the volatile asset; the portfolio inherits that volatility in proportion to the position size.

A risk-managed SMA addresses this constraint structurally rather than rhetorically, and can make the trade-offs from on-chain Bitcoin worth it. The strategy typically combines three components:

- Defined-outcome ETFs (also called buffered ETFs) that use options strategies to provide downside protection in exchange for capped upside.
- Equity proxies for Bitcoin (public companies holding significant Bitcoin treasury positions) used as supplemental or alternative exposure.
- Tactical spot Bitcoin allocation, sized to the client's overall plan.

The diversification across these three exposure types matters as much as the buffering itself. The position responds differently to drawdowns and rallies than a pure spot position would, which is what allows the client to size it appropriately.

A buffered ETF deserves a moment of explanation, because it does the heaviest lifting in many of these strategies. A buffered ETF uses options to define a structured outcome over a fixed period (typically one year, with periodic resets). A typical structure might protect against the first ten or twenty percent of underlying losses, in exchange for capping the upside at some specified level. The protection and the cap are produced by combining long and short options positions on the underlying asset. For Bitcoin, this means a strategy that limits downside in a drawdown year while still participating in upside, with the

participation capped. The asymmetry of an unhedged Bitcoin position (volatile in both directions) is converted into a more bounded outcome on both ends.

This is not a free lunch. The cost of the downside protection is the cap on upside. In a year where Bitcoin runs significantly, the buffered position will underperform unhedged Bitcoin. In a year where Bitcoin draws down significantly, the buffered position will outperform. Over multiple cycles, the result depends on the path Bitcoin takes.

The structural value of risk-managed exposure is that it lets the client hold a larger total Bitcoin-exposed allocation than an unhedged position would allow. A client whose volatility tolerance constrains them to a one percent unhedged Bitcoin position may be able to carry a five or ten percent risk-managed position without blowing the portfolio's risk budget. The total Bitcoin participation is meaningfully larger; the portfolio impact is bounded.

Tradeoffs of the risk-managed approach:

- Layered fees. The SMA carries a management fee. The buffered ETFs inside the SMA carry their own expense ratios. The total cost is higher than a single-line ETF allocation.
- Capped upside. The downside protection is paid for by an upside cap. In a strong Bitcoin year, the position will not capture the full move.
- Complexity. The strategy requires more explanation to clients and more documentation in the suitability file. The adviser must understand the options mechanics well enough to defend the structure if asked, or work with an expert who does.
- Minimum sizes. SMAs typically require account minimums that may be too high for some clients.

The author's firm, Veritas Bitcoin Strategies, runs SMA strategies of this type. The general framework presented in this chapter applies regardless of which manager an adviser selects. The relevant evaluation criteria are the manager's methodology, fee structure, custody arrangements, audit and operational controls, and track record.

How the Two Categories Fit Together

Most clients with meaningful Bitcoin allocations should consider holding both on-chain exposure and risk-managed exposure. They do different things and they fail to substitute for one another in important ways.

On-chain exposure is the client's actual ownership of Bitcoin. It offers full self-sovereignty and a move outside the fiat system. It can be moved across generations. It is the position that responds to Bitcoin's monetary thesis playing out. For a client who believes Bitcoin is a meaningful long-term hold, this is the part of the allocation that does the work over decades.

Risk-managed exposure is the structure that lets the client carry a larger total Bitcoin position without taking on commensurate portfolio volatility. It does not capture Bitcoin's full upside, but it lets the client participate meaningfully in Bitcoin's return without the drawdown profile that defines an unhedged position. For most clients, this is the part of the allocation that solves the practical problem of fitting Bitcoin into a real portfolio with a real risk budget.

A typical implementation might look like a half percent to one percent on-chain position for the long-term hold, plus a five to ten percent risk-managed allocation for portfolio-level Bitcoin participation. The total Bitcoin exposure is five to eleven percent, but the portfolio's

NO POSITION IS A POSITION

overall volatility contribution from Bitcoin is closer to what a two or three percent unhedged position would produce. The client gets meaningful Bitcoin participation; the portfolio's risk budget stays intact. The specific numbers depend on the client. The structural logic does not.

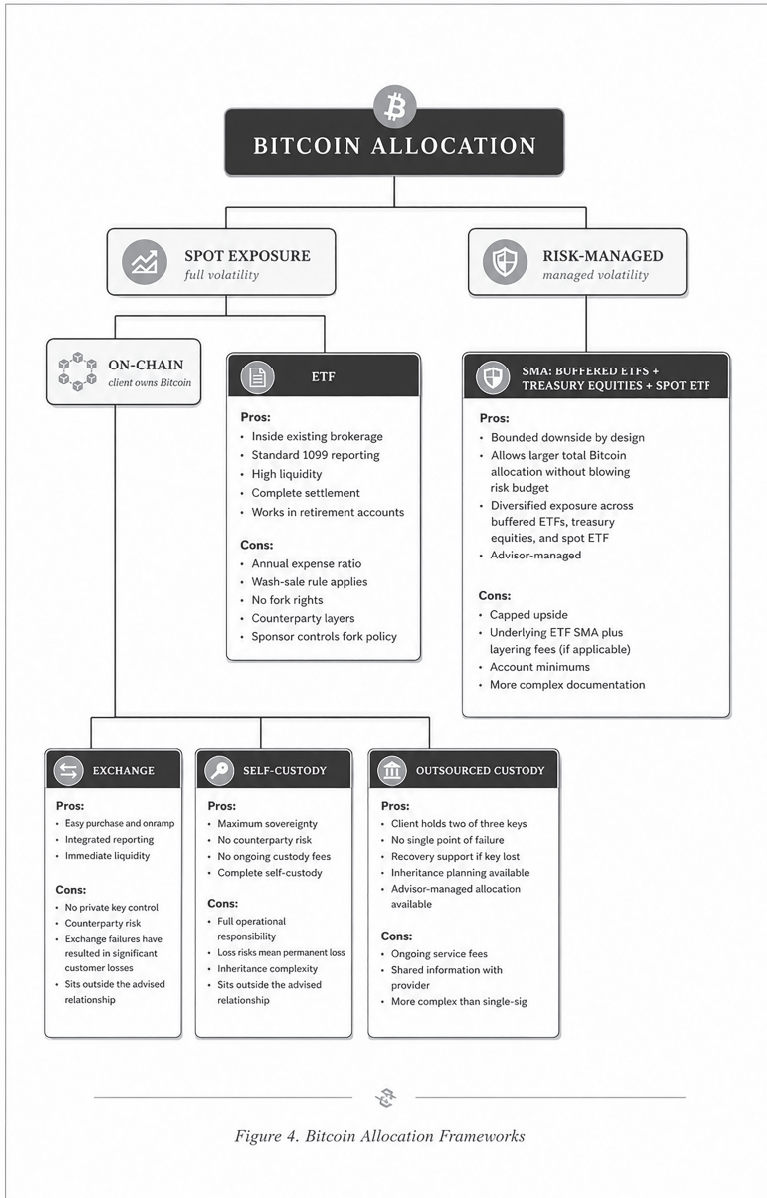


Figure 4. Bitcoin Allocation Frameworks

The Narrow Spot-ETF-Only Case

There are clients for whom on-chain exposure is not the right answer and the risk-managed structure is also not the right answer. This is a narrow case and worth acknowledging briefly.

The client in question is one with limited technical sophistication, a strong preference for everything in one place, a modest position size, and either a high volatility tolerance or a position small enough that an unhedged drawdown does not break the plan. For this client, a spot ETF inside their existing brokerage may be the right choice despite the structural friction. The honest answer is that this client profile is small, and even within it, the adviser should test whether a risk-managed allocation would actually be the better fit. A client who cannot tolerate the operational complexity of on-chain custody often also cannot tolerate an unhedged Bitcoin drawdown. In that case, the risk-managed structure is the answer, not the ETF.

The book is honest about this because the analytical case for pure spot ETF exposure is narrower than the marketing around the product suggests. Treating the ETF as the default first allocation often cannot survive a careful look at each client's actual situation.

A Note on Tax Optimization for on-chain Bitcoin

On-chain Bitcoin has one tax feature that the ETF does not, and it is worth understanding clearly.

Under current IRS guidance, Bitcoin is treated as property. The wash-sale rule, which applies to securities, does not currently apply to direct Bitcoin holdings. This creates an opportunity for tax-loss harvesting that is not available with the spot ETF.

The mechanic is as follows. If a client holds Bitcoin directly at a loss, they can sell the position to harvest the loss, then immediately repurchase Bitcoin. Because the wash-sale rule does not apply, the loss is recognized for tax purposes even though the economic position is maintained. The same trade in the spot ETF would trigger wash-sale treatment.

This is a meaningful planning advantage in volatile years. A client who acquired Bitcoin at \$90,000 and watches it draw down to \$60,000 can harvest a \$30,000 loss per Bitcoin held, then immediately re-establish the position at the lower basis. The loss offsets other capital gains for tax purposes.

Two important caveats. First, the wash-sale rule's non-application to Bitcoin is a function of current IRS treatment, which could change. The planning opportunity exists as of the time of this writing, but it should not be assumed to be permanent.

Second, the loss-harvesting strategy is only available for direct Bitcoin, not for the spot ETF. Because the ETF is a security, losses on the ETF are subject to wash-sale treatment.

For clients with meaningful Bitcoin positions held directly, coordinating loss harvesting with the rest of their tax plan can produce material value. The adviser should work with the client's tax professional to structure this correctly.

Custody Considerations

A brief note on custody for on-chain Bitcoin holdings, because this is where the most operational risk concentrates.

The two relevant custody categories are qualified custodians (regulated third parties holding the keys on the client's behalf) and self-custody (the client holds the keys directly).

Inside the advised relationship, qualified custody is the only available choice. Self-custody is definitionally outside the relationship; the moment a firm could supervise, insure, bill on, or reconcile against an on-chain position, the position would no longer be self-custodied. The reason advised assets require qualified custody is structural rather than ideological. Advised assets need to be reportable, supervisable, insurable, billable, and reconcilable against third-party records. Qualified custodians (state-chartered trust companies and federally regulated entities) provide the infrastructure that makes all of this work: independent custody of the keys, insurance arrangements, audit and attestation reporting, regulatory oversight, and integration with the reporting and performance systems advisers rely on. None of that is available to a self-custodied position, by design, because the design of self-custody is to remove the intermediary.

The cost of self-custody is that the operational risk falls entirely on the holder. Lost keys mean lost Bitcoin permanently, with no recovery mechanism. That is not a flaw in the design. It is the design.

On-Chain Custody Structures in More Detail

Inside the on-chain custody category, the structures are not interchangeable. The differences come down to where trust is placed and what fails first if something goes wrong.

Single-institution qualified custody concentrates trust in one regulated entity that holds the keys on the client's behalf. The institution pro-

vides insurance, audit, and reporting. The failure mode is institutional: insolvency, operational error, or regulatory action against the custodian. This structure is appropriate for clients who value operational simplicity and regulatory familiarity.

Single-signature self-custody concentrates trust in the holder, who keeps the keys on a hardware wallet (or steel plate, or some other option) with a single backup. The failure mode is personal: a lost seed phrase, a destroyed backup, an incapacitated holder. This structure is appropriate for clients with technical capacity and a strong sovereignty preference, and it carries the most fragility because a single point of failure can produce permanent loss.

Multi-key arrangements distribute trust across multiple parties using a 2-of-3 (or 3-of-5) multisignature structure. The client may hold one seed phrase; other service providers or independent institutions may hold the others. No single party can move the assets alone (since it requires a majority of the keys), and no single key loss can produce permanent loss. This structure is often the most defensible for large or multi-generational positions where neither single-institution risk nor single-holder risk is acceptable. It is also the structure where an adviser can be most directly useful, because the operational complexity benefits from professional coordination.

The adviser should be conversant in the three architectures (or be connected with a Bitcoin adviser who is), so that when a client asks which structure makes sense for their situation, the answer is grounded in the actual tradeoffs rather than in product names.

Advisers who want to go deeper on custody specifically can read the white paper *Bitcoin Custody for Family Offices*, available free

at familyofficebitcoin.com, which walks through the institutional custody landscape and the key-management architectures in more detail than this chapter has room for.

The two implementation categories (spot/on-chain exposure and risk-managed exposure) are not competing options in an absolute sense. They are tools for different parts of the same allocation. Both can be appropriate for many clients. The adviser's job is to size each appropriately for the client's plan and risk budget. The next chapter addresses what the adviser needs to do, from a compliance standpoint, to document those decisions properly.

CHAPTER 6

Compliance Considerations

A note before this chapter begins. The author is not an attorney. The discussion that follows is general and educational. It is not legal advice. Every adviser should work with their own compliance officer, their own legal counsel, and the regulatory framework that applies to their specific channel and jurisdiction. The principles below are presented as a starting point for that work, not as a substitute for it.

With that on the record, this chapter covers the compliance considerations that matter most when an adviser begins allocating client assets to Bitcoin. The categories are: suitability documentation, ADV disclosure, due diligence files, risk tolerance assessment, and documenting the specific risks of Bitcoin ETFs and digital assets.

Suitability Documentation

The starting principle is the same as for any allocation. The adviser must document that the recommended allocation is suitable for the specific client based on the client's circumstances, objectives, risk tolerance, time horizon, liquidity needs, and overall financial situation.

For Bitcoin specifically, the suitability file should include:

- The client's stated understanding of Bitcoin and digital assets, including their level of prior exposure and their stated risk tolerance for this asset class specifically.
- The proposed position size as a percentage of the client's overall portfolio and net worth.
- The implementation chosen (on-chain spot, spot ETF, risk-managed allocation, or a combination) and the rationale for that choice.
- A documented discussion of the specific risks (volatility, regulatory, custody, technology, market structure) with confirmation that the client has been informed of these risks.
- The role the Bitcoin allocation is intended to play in the overall portfolio (diversifier, store of value, asymmetric exposure, hedge against monetary debasement, et cetera) and how the position size matches that role.

A standard suitability worksheet adapted to digital assets is the cleanest way to handle this. Most compliance officers will support the development of such a worksheet if it does not already exist in the firm's framework.

The key principle is that the suitability file should reflect a genuine analytical conversation, not a checklist. A regulator or examiner reviewing the file should be able to read it and understand the analytical process that led to the recommendation. Boilerplate disclosure language is necessary but not sufficient. The file should show the thinking.

How Veritas Operationalizes Client Education

Veritas Bitcoin Strategies requires every client to complete its Bitcoin 101 presentation before any allocation to the firm's strategies. The

presentation is a forty-five-minute webinar that takes a client from zero understanding to working knowledge of Bitcoin as a monetary asset, including its supply schedule, institutional infrastructure, and volatility profile.

The requirement applies to both Veritas's direct clients and to clients of partnering advisers who use Veritas's SMA strategies. No exceptions. The reasoning is that informed consent requires informed clients, and a client who has not done the foundational work cannot give meaningful consent to allocate to an asset with Bitcoin's risk profile. Completing the presentation establishes the floor.

The presentation is offered free to advisers and clients who want to work through it before any allocation conversation. It is delivered live, one on one, so questions can be answered in real time. To schedule the Bitcoin 101 presentation directly with the author, scan the QR code below.



Scan to schedule your Bitcoin 101 session, or visit familyofficebitcoin.com.

Scheduling takes a moment and puts the session directly on the author's calendar, which also lets the firm document the education touchpoint in its records.

The presentation, and the partnership behind it, are calibrated for a specific tier. Veritas works with registered investment advisers and single or multi-family offices managing at least fifty million dollars. On the client side, individual Bitcoin allocations begin at one hundred thousand dollars, and that figure is sized to sit at roughly one to ten percent of a client's investable assets rather than the bulk of them, which in practice describes a client with something on the order of one to ten million dollars to allocate. Advisers are encouraged to weigh those numbers before scheduling. The session, and the work that can follow it, are most productive when the adviser's firm and the client in question both fall within that range.

ADV Disclosure Language

For SEC-registered and state-registered investment advisers, the Form ADV is the primary disclosure document. If Bitcoin allocation becomes a regular part of the practice, the ADV should reflect it.

The relevant sections typically include:

- **Item 4 (advisory business):** Description of the services offered. If Bitcoin allocation is part of the practice, this should be mentioned, with a brief description of the implementation approaches used.
- **Item 5 (fees and compensation):** If Bitcoin allocation involves any compensation arrangement different from the standard advisory fee (such as a managed strategy with its own fee structure), this should be disclosed.
- **Item 8 (methods of analysis and investment strategies):** The analytical framework used for Bitcoin allocation should be summarized, with the relevant risks disclosed clearly.

Item 8 risk disclosure is the most important section. The disclosure should cover, at minimum:

- Bitcoin’s price volatility, with reference to the historical magnitude of drawdowns.
- The regulatory uncertainty surrounding digital assets generally and the possibility that future regulation could materially affect the value or accessibility of Bitcoin positions.
- Custody risk, including the possibility of loss due to custodian failure, hacking, or operational error.
- Technology risk, including the possibility of protocol changes
- Market structure risk, including the relatively limited liquidity in certain trading venues and the potential for market manipulation.
- Tax treatment uncertainty, including the possibility that future IRS guidance or legislative action could change the tax treatment of digital assets.

The disclosure should be specific enough to be meaningful and general enough to remain accurate as conditions evolve. Most firms revise the language periodically as the regulatory environment changes.

Suggested working language for an ADV Item 8 risk disclosure section (to be reviewed and adapted by the firm’s compliance officer):

“The Firm may allocate a portion of client portfolios to Bitcoin or other digital assets, either through registered investment vehicles (such as spot Bitcoin exchange-traded funds), through direct ownership at qualified custodians, or through managed strategies that include digital asset exposure. Allocation to Bitcoin and other digital assets involves substantial risks that may differ from the

risks associated with traditional investments. These risks include, but are not limited to: (a) extreme price volatility, with the potential for significant losses over short periods; (b) regulatory uncertainty at the federal, state, and international levels; (c) custody risk, including the potential for loss due to custodian failure or operational error; (d) technology and network risk, including the potential for protocol changes or unforeseen vulnerabilities; (e) liquidity and market structure risk, particularly in less-developed trading venues; (f) tax treatment risk, including potential changes in how digital assets are treated for tax purposes; and (g) the relatively limited operating history of digital assets as an investment category. Past performance of Bitcoin or other digital assets is not indicative of future results. Allocation decisions should be made based on the client's individual circumstances, objectives, and risk tolerance, in consultation with the Firm and the client's other professional advisers.”

This is a starting point. The firm's compliance officer should tailor it to the specific practice.

Due Diligence File

Whatever implementation path the adviser recommends, the adviser should maintain a due diligence file documenting the analysis behind the recommendation.

For a spot Bitcoin ETF, the file should include the adviser's analysis of why this specific ETF was selected over alternatives.

For direct Bitcoin through a qualified custodian, the file should include:

- The custodian's regulatory status (state-chartered trust company, federally regulated entity, et cetera).
- The custodian's insurance arrangements and the scope of that insurance.
- Audit and attestation reports on the custodian's reserves and operational controls.
- The custody fee structure.
- The adviser's analysis of the custodian selection process.

For a risk-managed SMA strategy, the file should include:

- The manager's investment process and methodology, documented in writing.
- The manager's regulatory registration and any disciplinary history.
- The fee structure, including any underlying fund expense ratios.
- The adviser's analysis of how the strategy fits the client's needs.

The due diligence file is what gets reviewed if there is ever a complaint or an examination. It should be substantive. A file that consists entirely of marketing materials from the product provider will not satisfy a serious examiner.

Risk Tolerance Assessment

The standard risk tolerance questionnaire used by most advisory firms was not designed for digital assets. The standard questions about drawdown tolerance and time horizon need to be supplemented for Bitcoin specifically.

Recommended additions to the risk tolerance conversation:

- Has the client previously held Bitcoin or other digital assets? If so, in what amounts and through what vehicles?
- What is the client's understanding of Bitcoin's historical volatility? Has the client been informed of drawdowns of fifty percent or greater?
- How would the client respond, both emotionally and practically, if the Bitcoin portion of their portfolio lost seventy percent of its value in a one-year period?
- Is the client comfortable with the possibility that Bitcoin could underperform their other investments for extended periods (multiple years)?
- Does the client understand that the proposed allocation is a long-term position, not a short-term trade, and that intermediate drawdowns are likely?

These questions should be asked in the suitability conversation and the answers documented. They are not a checklist exercise. They are the substantive content of the suitability determination.

Documenting ETF-Specific Risks

For Bitcoin allocation through a spot ETF specifically, certain disclosures are worth highlighting in the client file. The major spot Bitcoin ETF prospectuses cover these risks in detail. The adviser's file should reflect that the client has been informed of them.

The risks to highlight include:

- The ETF holds Bitcoin through a custodian. If the custodian fails or experiences a significant operational event, the ETF's ability to redeem shares or operate normally could be affected.

- The ETF tracks the spot price of Bitcoin, which is volatile. The ETF's price can move significantly in short periods.
- The ETF is taxed differently from direct Bitcoin holdings in certain respects. The wash-sale rule applies to the ETF. It does not currently apply to direct Bitcoin. The adviser should help the client understand which tax treatment applies to their specific position.

A standard worksheet or risk tolerance questionnaire that documents the client's awareness of these specific risks is the cleanest way to handle this in the file.

Working With Your Compliance Officer

The most important compliance step is not technical. It is procedural. Talk to your compliance officer before you start allocating client assets to Bitcoin.

If you are a state-registered RIA, your compliance officer is typically the principal at the firm (often the same person), or the conversation may be with an outsourced compliance consultant.

If you are a SEC-registered RIA, the compliance officer is a designated role at the firm. The conversation is internal but more formal.

If you are at a broker-dealer or in a hybrid arrangement, the compliance review is typically more structured, with formal approval processes for new product categories.

The conversation should cover:

- Does the firm have a policy on Bitcoin allocation? If not, should one be developed?

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- Are there approved vehicles for Bitcoin exposure (specific ETFs, specific custodians, specific SMA managers)? If not, what is the approval process?
- What documentation requirements apply to Bitcoin positions?
- Are there reporting or supervisory requirements specific to Bitcoin that the adviser should be aware of?

This is not a one-time conversation. The regulatory environment for Bitcoin continues to develop. A regular review (at least annually) is appropriate.

A Note on the Regulatory Environment

The regulatory environment for Bitcoin has been actively developing since approximately 2014. The pace has accelerated since the spot Bitcoin ETF approvals in January 2024.

As of the time of this writing, the relevant points of regulatory clarity include:

- The SEC has approved spot Bitcoin ETFs from multiple major issuers.
- The CFTC has consistently classified Bitcoin as a commodity.
- The IRS treats Bitcoin as property for tax purposes.
- State regulators have varied frameworks, ranging from active accommodation (Wyoming, Texas) to more restrictive approaches.
- FinCEN treats Bitcoin exchanges as money transmitters for anti-money-laundering purposes.

This is a moving environment. The framework that applies when this book is read may differ from the framework that applied when it was written. The adviser should maintain awareness of the current state of regulation in their jurisdiction and adjust documentation accordingly.

Summary

Compliance for Bitcoin allocation is not fundamentally different from compliance for any other allocation. The same principles apply: suitability, disclosure, due diligence, documentation. The application is different because the asset is newer and the regulatory framework is still developing.

The adviser who treats compliance seriously protects the client, the firm, and themselves. The adviser who treats compliance casually exposes all three.

The next chapter is short. It is about what to do next.

CHAPTER 7

Next Steps for Your Practice

This book has covered, in compressed form, the working framework an adviser needs to be conversant on Bitcoin: what it is, why clients are asking, how to address the common objections, how to think about different client profiles, how to choose an implementation path, and how to handle the compliance requirements.

The book has not turned you into a Bitcoin expert. It was not designed to. It was designed to make you prepared for the conversation you are going to have, possibly this week, with a client who is asking what you think.

If you read the book in one sitting (as it was intended to be read), you now have the structure. The next question is what to do with it.

Audit Your Current Position

The first practical step is honest. Where are you, today, on Bitcoin?

If you are skeptical, document why. Write down the specific objections that drive your skepticism. Compare them to Chapter Three. Identify which objections are supported by the data and which ones may have

been imported from media coverage rather than from analysis. Decide whether your skepticism is calibrated.

If you are interested but unprepared, identify the gaps. Which chapters in this book felt unfamiliar? Which client conversations would still feel uncertain? Build a learning plan that closes those gaps before the next client conversation, or work with a Bitcoin expert who can lead you through it.

If you are already allocating but not in a structured way, formalize what you have been doing. The same compliance principles that apply to any allocation apply to Bitcoin. The documentation should match the level of allocation.

If you are ready to allocate but have not started, the practical next steps are in the rest of this chapter.

Inventory Client Exposure

Before adding new Bitcoin allocation to client portfolios, find out what is already there.

This is sometimes uncomfortable but it is important. Many clients have Bitcoin (or other digital asset) positions that are not on the advised balance sheet. The Bitwise/VettaFi survey data on this point is consistent year after year. The exposure is there. It is often outside the advisory relationship.

A simple addition to the annual review meeting is sufficient. A question along the lines of: “Do you currently hold any Bitcoin or other digital assets outside the accounts we manage? If so, can you share

what you have, where it is held, and how it fits into your overall financial picture?”

The information matters for three reasons. It informs the suitability analysis if you are considering recommending an additional allocation. It informs the overall financial plan, including tax and estate planning. It identifies opportunities to bring outside assets into the advised relationship, where appropriate.

Develop Your Suitability Worksheet

If your firm does not already have a suitability worksheet adapted for Bitcoin allocations, develop one. Chapter Six covered the key elements. A working document for your practice should include:

- A client questionnaire covering prior digital asset experience, stated risk tolerance, and time horizon for the proposed allocation.
- A position-sizing worksheet that situates the proposed Bitcoin allocation against the rest of the client’s portfolio and net worth.
- A risk acknowledgment section that documents the client’s awareness of the specific risks of Bitcoin and the chosen implementation vehicle.
- A rationale section where the adviser documents why this allocation, at this size, in this vehicle, is appropriate for this client.
- A signature line for the client.

This worksheet, completed before each Bitcoin allocation, is the cleanest possible record of the suitability analysis. It is also the document that most directly protects the adviser in the event of a client complaint or regulatory examination.

Choose Your Starting Implementation

There is no universally correct starting implementation. The right choice depends on what the client needs the position to do inside their overall plan. Chapter Five framed the implementation question as two categories rather than three: spot Bitcoin exposure (the client owns Bitcoin, on-chain or through an ETF) and risk-managed exposure (a structured combination of buffered ETFs, treasury equity proxies, and tactical spot positions that produces Bitcoin participation with downside bounded by design). The two categories do different things. For most clients with meaningful Bitcoin allocations, both belong in the implementation.

A practical first allocation often looks like the following:

- A client expresses interest or asks the question.
- The adviser completes the suitability worksheet with the client.
- A position size is determined, sized to the client's plan and risk tolerance.
- The implementation is chosen based on what the client needs the position to do. For most clients, the right answer is a combination: a smaller on-chain spot position for the long-term hold, plus a risk-managed allocation that lets the client carry meaningful total Bitcoin exposure without the portfolio inheriting Bitcoin's volatility profile.
- The position is documented in the client file along with the risk disclosures.
- The position is reviewed at the next regularly scheduled meeting along with the rest of the portfolio.

This sequence works inside the existing practice structure. The decision that requires the most analytical work is the implementation

choice, because the wrong implementation can produce a position that is technically inside the risk budget on paper but functionally outside it when the client experiences the first drawdown. An unhedged spot ETF position above a token allocation is the most common version of this mistake.

As the practice develops, the adviser builds judgment on which clients want which combinations. Most clients with meaningful Bitcoin allocations hold both: spot exposure (preferably on-chain) for the long-term hold, and a risk-managed allocation that does the portfolio-level work. The ratio between the two depends on the client's circumstances. The pure spot-ETF-only client is the narrow case, not the default.

Continue Your Education

This book is short by design. It is meant to make you conversant, not expert. The reading recommendations in Appendix B will deepen the foundation.

Beyond reading, the practical learning happens in the client conversations themselves. Each Bitcoin conversation you have is an opportunity to identify which parts of the framework you have internalized and which parts need more work. Track the questions you cannot answer well. Find the answers before the next conversation.

A simple discipline that works: after every Bitcoin-related client conversation, take five minutes to write down what was asked, what you said, and what you would say differently next time. Within a few months, the gaps in your framework will be identified and closed.

The Position to Hold

The final thought in this book is about the position to hold as an adviser on Bitcoin.

You do not have to be enthusiastic. You do not have to be a Bitcoin advocate. You do not have to allocate aggressively or recommend allocation to every client.

You do have to be prepared. You do have to be conversant. You do have to be able to discuss Bitcoin with the same analytical seriousness you bring to any other asset class. You do have to be able to document your decisions properly.

Clients can hear the difference between an adviser who is prepared and an adviser who is improvising. The prepared adviser retains the conversation. The improvising adviser loses it. The data on client behavior makes the cost of losing it clear.

You now have the framework. The rest is execution.

For advisers who want to go deeper, including information on the author's firm and the SMA strategies referenced in Chapter Five, the website is familyofficebitcoin.com.

The next conversation you have with a client about Bitcoin is the one that matters. This book exists to make that conversation go better than the last one.

APPENDIX A

Client FAQ

The following are questions clients commonly ask, with suggested response language that can be adapted to the adviser's voice and the specific client. These are starting points, not scripts.

“Should I buy Bitcoin?”

“That depends on your overall financial situation, your risk tolerance, and your time horizon. Bitcoin is volatile and the position size matters. The right answer for one client is different from the right answer for another. Before I would give you a recommendation, I would want to understand how a Bitcoin allocation would fit with the rest of what we are doing for you. Let me ask you a few questions.”

“How much should I put into Bitcoin?”

“There is no formula that produces the correct number, but the amount will usually grow with education. What I can tell you is that for most clients, an initial Bitcoin allocation is small relative to the rest of the portfolio. Often in the range of one to three percent. The reason is that Bitcoin is volatile,

and you want the position size to be one that you can hold through a drawdown without losing sleep. A small position can still contribute meaningfully to portfolio returns if Bitcoin performs well, and it limits the damage if it does not.”

“Is it too late to buy Bitcoin?”

“We don’t believe so. There were people asking the same question at every price level over the last fifteen years. The real question is whether Bitcoin was designed to be technically superior to other assets, to be a parallel system to the fiat system, and whether the world itself will continue to advance (and thereby increase in value) as it has done the last five thousand years. If so, and Bitcoin represents more and more of that value (as the gold-backed dollar originally did), then that has price implications for Bitcoin.

Moreover, as a two-trillion-dollar asset, Bitcoin represents roughly 0.2 percent of the world’s 900 trillion dollars in total value. Gold at 16 trillion dollars represents roughly 1.7 percent. If Bitcoin continues on the current adoption path, there is significant room to grow.

The more useful question is not whether the timing is right but whether the allocation itself is appropriate for your situation. If it is appropriate at one percent, you can establish the position now without making a timing bet.”

“What if Bitcoin goes to zero?”

“There are two ways to answer that. The first is about position sizing. If you allocate one percent and the asset goes to

zero, you lose one percent of the portfolio. That is recoverable. That is normal portfolio variance. We size the position carefully precisely so that the worst case is a manageable loss rather than a portfolio-altering event.

The second is about what “going to zero” would actually require. It would mean the entire Bitcoin network being abandoned, effectively overnight, by every current holder, and staying abandoned permanently. Given the strength of the monetary thesis and the conviction of the people who hold Bitcoin for exactly that reason, that is a demanding scenario to get to. The honest read is that the “goes to zero” question is usually driven more by fear or speculation than by anything in the research. We still size for it, because prudent allocation prepares for tail risks whether or not they are likely. We just do not treat it as the base case.”

“What if the government bans it?”

“It is a tail risk that has been raised for fifteen years and has not materialized at the federal level in the United States. The opposite has happened: the SEC has approved spot Bitcoin ETFs, the CFTC treats Bitcoin as a commodity, and the regulatory framework continues to develop. The risk is not zero, but it is small for a US-based client investing through US-regulated vehicles. We can discuss it in more detail if it is a specific concern for you.”

“Why not gold instead of Bitcoin?”

“They serve similar but not identical purposes. Gold has a multi-thousand-year history as a monetary asset, and may

function as a flight-to-safety asset inside the traditional part of your portfolio. It has a structural flaw that Bitcoin does not, however, and the flaw is physical: gold has weight. That sounds trivial until you consider what money has to do. A monetary asset needs to be moved, stored, secured, verified, and divided, and weight works against all five. Moving a meaningful amount across a border means physically transporting a heavy, valuable object, with the cost, risk, and customs exposure that come with it. Storing it means a vault and the cost of guarding it. Verifying it means assaying, because a bar can be drilled and filled. Dividing it for a transaction is impractical. Those frictions are the reason gold was steadily pulled off the street and into central bank vaults over the last century, with paper claims circulating in its place. Bitcoin has the monetary properties gold is prized for (scarcity, durability, a supply no government can inflate) without the weight: it moves anywhere in minutes, is verified by anyone instantly and at no cost, divides to eight decimal places, and is secured without a physical vault. That is why the comparison tends to favor Bitcoin on the monetary merits, even though gold has the longer track record. You can hold both, and many clients do.”

“What if I lose access to my Bitcoin?”

“That depends on how it is held. If it is held in a spot Bitcoin ETF, you cannot “lose access” because you never held it in that sense to begin with; it sits in your brokerage account like any other security, and you hold a claim to it, not the asset itself.

If it is held directly (on-chain) at a qualified custodian, the custodian holds the keys on your behalf and recovery procedures

apply. If it is self-custodied, meaning you hold the keys yourself, lost keys mean lost Bitcoin permanently. That is not a flaw in self-custody. It is the tradeoff that comes with removing the intermediary. The right choice depends on what you are trying to accomplish. For positions held inside this advisory relationship, we work through the first two structures because that is what our structure supports. For clients who want to hold Bitcoin in a form that no third party can fail at, self-custody is a legitimate path, and we are happy to discuss how to do it well, even when those holdings sit outside the accounts we manage.”

“What about all the crypto scams I hear about?”

“You are right that the broader crypto category has had a lot of fraud. Most of the high-profile failures and scams over the last several years have involved things other than Bitcoin: exchanges that mismanaged customer funds, tokens with no real product behind them, and so on. Bitcoin specifically is a different asset class, and we implement it through regulated vehicles with audited custody. The fraud risk in the broader crypto market is real, and it is one of the reasons we focus specifically on Bitcoin and on regulated and well-structured implementation paths.”

“Will my financial plan still work if I add Bitcoin?”

“That is the right question to ask. The answer is that adding a small Bitcoin position to a properly designed financial plan does not break the plan. The position is sized so that the plan continues to work in a wide range of Bitcoin outcomes, including the bad ones. We are not betting the plan on Bitcoin.

We are allocating a portion of the portfolio to an asset that may add meaningful return or may not, while keeping the plan intact either way.”

“What’s a good way to talk about this with family?”

“That is worth a separate conversation. Bitcoin allocation is sometimes a place where family members have different views. The way I would approach it is the same way we approach any other portfolio decision: explain what is being done, why it is being done, what the risks are, and how it fits into the overall plan. If there is disagreement among family members, that is worth working through before the allocation rather than after.”

APPENDIX B

Suggested Reading and Research Sources

For advisers who want to go deeper after this book, the following sources are useful starting points.

Industry Research

Bitwise / VettaFi Benchmark Survey of Financial Advisers. Annual survey of adviser sentiment, client behavior, and allocation patterns related to digital assets. The data on client behavior outside the advisory relationship is the most directly relevant for practice management.

Fidelity Digital Assets Research. Institutional research on Bitcoin's investment characteristics, including reports on portfolio role, volatility analysis, and institutional adoption trends. Written for an institutional audience and useful for advisers developing their own framework.

Cambridge Centre for Alternative Finance. Independent academic research on digital asset market structure and energy consumption. The CBECEI (Cambridge Bitcoin Electricity Consumption Index) is the most-cited reference on Bitcoin energy use.

Bitcoin Mining Council. Industry-side research on mining operations and energy mix. Useful as a counterpoint or supplement to academic sources.

Foundational Reading

“Bitcoin: A Peer-to-Peer Electronic Cash System” by Satoshi Nakamoto (2008). The original Bitcoin white paper. Nine pages. Worth reading in full at least once. Available freely online.

“The Bitcoin Standard” by Saifedean Ammous. Book-length treatment of the monetary history argument for Bitcoin. Strong perspective, but the historical chapters are useful regardless of where the reader lands on the conclusions.

“Layered Money” by Nik Bhatia. Framework for understanding the historical relationships between base money and credit money, with implications for how Bitcoin fits into the monetary system.

Macroeconomic Context

wtfhappenedin1971.com. Aggregated data on macroeconomic inflection points around the end of the Bretton Woods system. Not a polished academic resource, but a useful collection of charts for understanding the monetary backdrop against which Bitcoin was designed.

Federal Reserve Economic Data (FRED). The St. Louis Fed’s public database of economic data. Useful for advisers who want to verify the monetary debasement data discussed in Chapter Two.

Regulatory Context

SEC Spot Bitcoin ETF Approval Order (January 2024). The SEC's order approving the first spot Bitcoin ETFs. Useful for understanding the regulatory framework and the staff's reasoning.

CFTC Statements on Digital Asset Classification. The CFTC has issued multiple statements over the years classifying Bitcoin as a commodity. These are useful for the regulatory file.

IRS Notice 2014-21 and Subsequent Guidance. The IRS's foundational guidance on the tax treatment of digital assets. Updated periodically and worth tracking for changes.

Author's Earlier Book

“Bitcoin and the Family Office: An Intelligent Introduction for the Ultra Affluent” by Eric Runge. Companion volume covering Bitcoin allocation for family offices and ultra-high-net-worth investors. Greater depth on portfolio architecture, monetary history, and institutional implementation than the present book.

Ongoing Resources

The website familyofficebitcoin.com maintains current information on regulatory developments, allocation frameworks, and the author's SMA strategies. Updates are published as the regulatory and market environment continues to develop.

FREE RESOURCES

Free Resources from Veritas Bitcoin Strategies

Everything listed here is free. The firm publishes this material because an informed allocator makes better decisions, and because the advisers and clients who find it useful tend to be the ones the firm is built to serve. All of it can be found at familyofficebitcoin.com.

White Papers

Bitcoin and the Architecture of Wealth Preservation. The long-horizon case for Bitcoin as a multi-generational store of value, written for families and advisers thinking in decades rather than quarters. A useful companion to the multi-generational framework in Chapter Four.

7 Questions Capital Allocators Should Be Asking About Bitcoin. A structured framework for the diligence questions that separate a rigorous allocation decision from a reactive one. Useful for advisers preparing to lead the client conversation described throughout this book.

Bitcoin Custody for Family Offices. A deeper treatment of the institutional custody landscape and the key-management architectures

introduced in Chapter Five, including the tradeoffs among single-institution, single-holder, and multi-key structures.

Books

Bitcoin and the Family Office: An Intelligent Introduction for the Ultra Affluent. The author's implementation guide for family offices and ultra-high-net-worth investors, with a foreword by Richard Wilson of the Family Office Club. Greater depth on portfolio architecture, monetary history, and institutional implementation than the present book. A free PDF is available on request at familyofficebitcoin.com.

The Cost of Consensus. An examination of why the largest pools of private capital, so often described as sophisticated, tend to arrive last to assets they do not yet understand, and what it costs them. Written for the serious investor who would rather make a decision on the analysis than on the comfort of the crowd. A free copy is available at familyofficebitcoin.com.

Working With the Firm

Veritas Bitcoin Strategies works with advisers as a partner on Bitcoin allocation, from the client conversation through implementation and ongoing management of risk-managed strategies. Advisers who want to discuss a specific client situation, or who want the firm to join a client conversation directly, can reach the author by phone at 503-607-7454 or by text at 503-354-1738, or schedule a conversation at familyofficebitcoin.com.

Veritas Bitcoin Strategies is a Registered Investment Adviser in the state of Oregon.

APPENDIX C

Deeper Questions and Their Answers

Most adviser-client conversations about Bitcoin do not go beyond what Chapter Three covered: volatility, intrinsic value, speculation, use cases, currency, energy, and the adviser's own preparedness. Those seven questions cover the working terrain of nearly every Bitcoin conversation an adviser will have.

A small number of clients will go further. They will ask questions that feel less like investment objections and more like questions about the nature of money, value, and reality itself. When that happens, the adviser needs language ready.

Bitcoiners have a name for this. They call it the rabbit hole. The phrase is sometimes used dismissively, as if engaging with these questions means losing one's grip on practical reality. That framing is wrong. The questions are real. Economists, philosophers, monetary historians, and central bankers have wrestled with them for centuries. Bitcoin is recent. The questions it raises are not.

This appendix presents five questions in increasing order of depth. An adviser can stop reading at the layer where the conversation they are

actually having stops. Most advisers will never need Question Five. The advisers who do will be glad they read it.

Question One: “Could Bitcoin just disappear?”

This is the operational survival question. The honest answer is that monetary networks do fail, but not in the way the question implies.

Bitcoin has run continuously since January 2009. No downtime. No central administrator. No board of directors. The network has produced a new block approximately every ten minutes for over sixteen years without interruption, through bull markets, bear markets, regulatory hostility, exchange failures, and contentious community debates.

For Bitcoin to “disappear” would require near-universal abandonment by its users and miners. That is not a likely failure mode for a monetary network with measurable adoption, institutional infrastructure, regulated investment vehicles, and a fifteen-year track record. The historical failure modes for monetary networks are debasement (the supply gets diluted), capital controls (the asset becomes hard to move), or political prohibition (the holders are punished). Bitcoin’s design addresses the first directly through the fixed supply. The second and third have been tested in various jurisdictions over fifteen years, and the network has continued to operate.

This does not guarantee Bitcoin’s permanence. Nothing does. It does mean that “could it disappear” is not the right question. The right question is what failure mode the asset is most vulnerable to, and the honest answer is that the most likely failure mode is slow loss of relevance rather than sudden collapse. That is a different risk profile than “disappearance.”

Question Two: “Couldn’t a hacker shut it down?”

This is the technical survival question. The answer is more interesting than most clients expect.

Bitcoin is not a server. There is no central system to hack. The protocol runs on tens of thousands of independent computers (called nodes) in dozens of countries, each maintaining a complete copy of the transaction history. There is no single point of failure because there is no single point.

To compromise the network at the protocol level, an attacker would need to control more than half of the global mining power and use that control to rewrite the transaction history. The cost of acquiring that much computing power is now measured in tens of billions of dollars annually, and the attack would be visible in real time to every node in the network. The economic incentive structure works against this: it is more profitable to direct that much computing power toward mining Bitcoin honestly than toward attacking it.

In sixteen years of continuous operation under continuous adversarial scrutiny, the Bitcoin protocol itself has not been successfully attacked. Exchanges have been hacked. Custodians have failed. Individuals have lost private keys. The base protocol has not been compromised. That is an unusually long operational record for a piece of software handling assets of this magnitude.

The deeper observation is that “hacking Bitcoin” is in some sense not the right phrase. There is no “Bitcoin” to hack in the way a company or a website can be hacked. There is only the protocol, the nodes that run it, and the agreement those nodes reach about who owns what. In that sense there is no such thing as “Bitcoin”; there is only the ledger

it runs on. To “hack” that agreement would require getting enough nodes to lie about reality, and the network is designed to make that economically irrational.

Question Three: “How can computer code be money?”

This is where the conversation starts to get philosophical. The adviser’s job here is to engage seriously without overcommitting, and refer the question out to an expert if necessary.

Economists have a working definition of money that has been stable for over a century. Money is anything that functions as a store of value, a medium of exchange, and a unit of account. The substance of the money matters less than whether it performs the functions. Shells have been money. Salt has been money. Cattle, silver, gold, paper, and ledger entries at central banks have all been money in different times and places. The throughline is not the substance. It is the function.

The dollar in a checking account is not paper. It is a number in a database maintained by a bank, backed by the institutional credibility of the United States and the regulatory infrastructure that surrounds it. The substance is not material. The substance is verified information.

Bitcoin is the first monetary asset whose substance is verified information from the start, with the rules about what can be changed and by whom enforced by mathematics rather than by an institution. That is a category change in monetary history. Whether it succeeds as money over the long term depends on continued adoption,

continued institutional integration, and the durability of its monetary properties. The analytical case for treating it as a monetary asset is strong. The empirical verdict will take decades to render fully.

For the adviser's purposes: when a client asks how code can be money, the answer is that code can be money in the same way that ledger entries at central banks are money, with different rules about who can change the ledger. The substance was never the point. The function was.

Question Four: "Where is Bitcoin? You can't hold it."

This is the metaphysical question. It is where the conversation gets genuinely interesting, and where most advisers are least prepared.

Start with an analogy. The concept of "twoness" cannot itself be added to another "twoness." But two apples can be added to two apples to produce four apples. The mathematical relationship is real. It governs the concrete operation. The relationship itself is not located anywhere. It does not need to be located anywhere to be useful or true.

The laws of logic work the same way. The law of non-contradiction ("A cannot equal not-A") is a true statement regardless of whether anyone is observing it, regardless of where in the universe it is being applied, and regardless of what materials are present. The statement is not material. It is still real, and it is still the foundation of every functioning argument human beings have ever constructed.

The modern mind, especially the modern materialist mind, has trouble with the idea that something can be both real and immaterial.

The post-Enlightenment materialist intuition is that real things are extended in space, made of matter, and locatable. Mathematics violates that intuition every day, and we have learned to live with the contradiction because the alternative is to throw out arithmetic. Bitcoin asks the same intuition to stretch in the same direction.

Where is Bitcoin? It is in the same place the internet is. It is everywhere the protocol runs, which is currently on tens of thousands of computers across dozens of countries. It is also nowhere in the sense that no single location holds it. The asset exists as the agreement of those computers about who owns what, secured by mathematics. Like a mathematical truth, it does not need to be located physically to be real. Like a mathematical truth, it can be applied to the material world in ways that have material consequences.

The deeper point is that Bitcoin is the first asset to make this property explicit. Earlier monetary forms had a material substrate (a coin, a bill, a vault) that disguised the fact that the value was never really in the substrate. A gold coin is valuable because of social and economic agreements about gold, not because of the physical properties of the metal alone. A dollar bill is valuable because of agreements about what it represents. Bitcoin removed the substrate and made the agreement itself the asset. That is genuinely a new thing in monetary history. It is also genuinely real, in the same way that the relationships mathematics describes are real.

A client who asks “where is Bitcoin” is asking the question that gets to the bottom of the matter. The adviser who can engage with that question seriously, without retreating into either dismissal or evangelism, retains the conversation. The adviser who cannot loses it.

Question Five: “Why do Bitcoiners talk about a ‘rabbit hole’?”

Because the questions do not stop. Engaging with Bitcoin seriously, at this depth, opens questions about what money is, what value is, what the state’s monopoly on currency actually represents, what the relationship is between hard money and political accountability, what role energy plays in producing both physical and monetary goods, and what it means for an asset to be sovereign-resistant by design rather than by convention. These are not crank questions. They are questions that monetary historians, political philosophers, and Austrian economists have been working on for over a century. Bitcoin is a recent case study in a long argument.

The adviser does not need to follow the rabbit hole all the way down. Most advisers will not want to, and usually wealthy (that is, busy) clients will not want to either. Running an advisory practice is itself a serious intellectual undertaking, and an adviser’s limited bandwidth is better spent on portfolio architecture, client relationships, and the disciplines that compound over a career. Becoming a monetary philosopher in addition to a fiduciary is more than most advisers signed up for.

This is what Veritas Bitcoin Strategies exists to do.

The firm was founded as a partner to advisers who want to provide informed answers on Bitcoin to their clients without having to develop deep monetary-history expertise themselves. The working model is partnership, not replacement. The adviser remains the client’s primary relationship. Veritas Bitcoin Strategies brings the Bitcoin-specific framework and, where appropriate, the SMA strategies that implement that framework with structural risk management. When

a conversation goes deeper than the adviser wants to take it alone, Veritas joins the call. The adviser is in the room. The client gets the depth. The relationship stays intact.

For advisers who want to explore the partnership, the firm's website is familyofficebitcoin.com. I can be reached by phone at 503-607-7454 for adviser-initiated inquiries, or by text at 503-354-1738. The SMA strategies referenced throughout this book (Bitcoin Convex Core January and Bitcoin Convex Core July) are described in detail on the site, with composite performance, fact sheets, and the firm's investment process.

The next conversation an adviser has with a client about Bitcoin can be one the adviser handles alone or one the adviser handles with backup. Either choice is defensible. The unacceptable choice is the unprepared conversation that pushes the client to act outside the relationship.

Veritas Bitcoin Strategies is a Registered Investment Adviser in the state of Oregon. The strategies referenced are subject to substantial risk, including the potential loss of principal. Past performance does not guarantee future results. Bitcoin and digital asset allocation involves volatility and other risks described in the firm's Form ADV.

About the Author

Eric Runge is the founder of Veritas Bitcoin Strategies, LLC, doing business as Family Office Bitcoin, a state-registered investment adviser focused on Bitcoin allocation strategy for family offices and high-net-worth investors.

Runge has approximately two decades of background in financial advisory, with a foundation in Austrian economics, monetary history, and portfolio architecture. He is the author of *Bitcoin and the Family Office: An Intelligent Introduction for the Ultra Affluent*, with a foreword by Richard Wilson of the Family Office Club, and *The Cost of Consensus*.

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Veritas Bitcoin Strategies is based in Madras, Oregon. The firm's SMA strategies are custodied at Charles Schwab for equity and ETF holdings. Markin Asset Management, LP serves as subadviser for certain traditional sleeves.

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For more information, visit familyofficebitcoin.com.