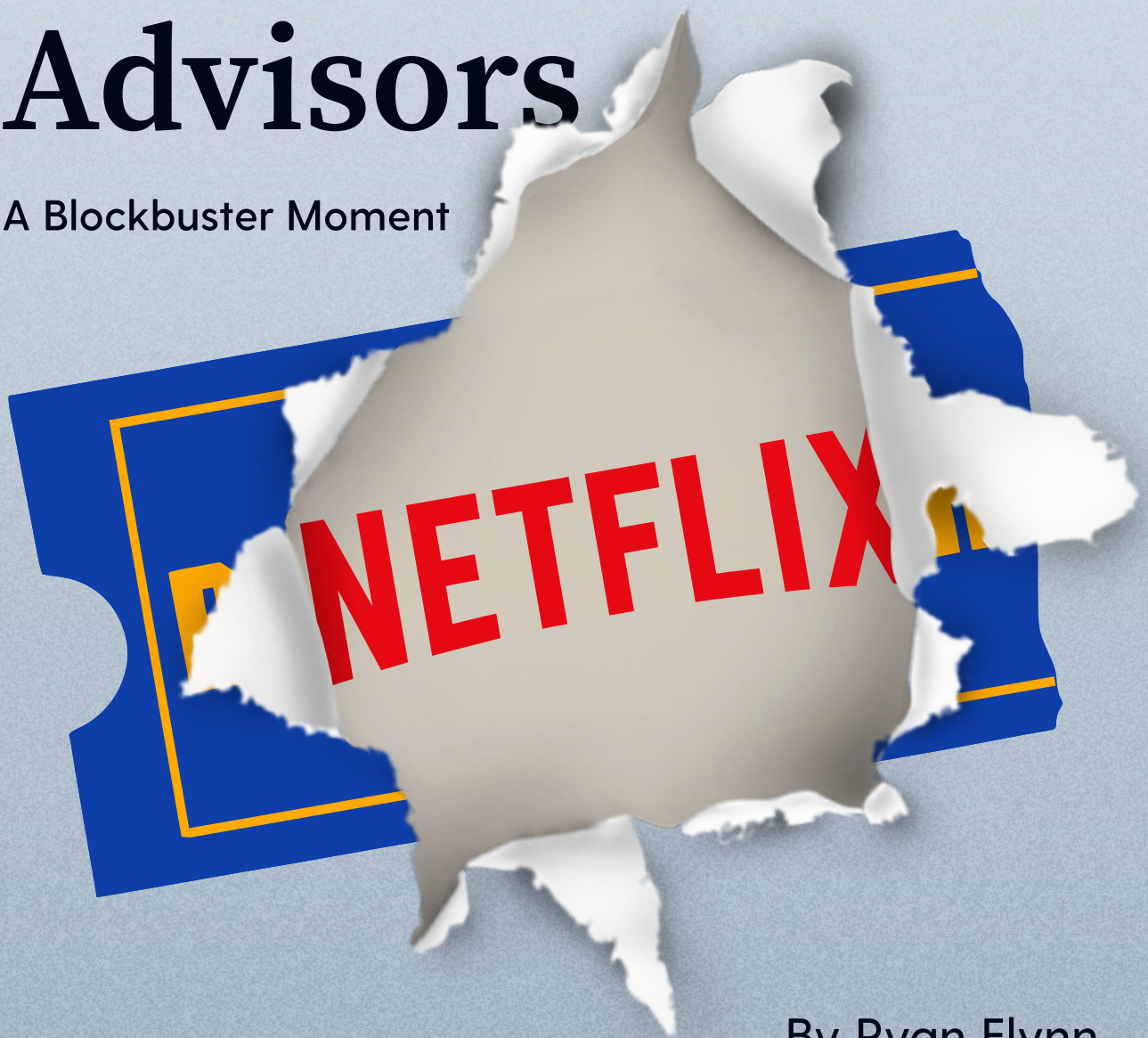


# A New Age Dawns for Financial Advisors

A Blockbuster Moment



By Ryan Flynn



# A New Age Dawns for Financial Advisors

## A Blockbuster Moment



**Ryan Flynn**

Managing Director, Swan Advisor

In 2000, Netflix co-founders Reed Hastings and Marc Randolph offered to sell their fledgling two-year-old DVD rental business to Blockbuster for \$50m. Blockbuster turned them down. Ten years later, Netflix was a publicly traded video-streaming business with a \$9b market cap while Blockbuster hemorrhaged \$1 billion in losses, filing for bankruptcy in September of that year.

How did this happen? When they turned the deal down, Blockbuster boasted a \$6b market capitalization, 9,000 rental stores, and 60,000 employees. Netflix was sending rental DVDs through the mail and struggling to stay in business, booking a loss of \$57m for the year.

It's a classic case study of disruptive innovation. The speed at which the bandwidth rate increased caught Blockbuster on its heels. In 2000, they investigated video streaming but concluded that since people were mostly using dial-up modems, the data transfer rate was too slow to support high-quality streaming experiences.

In 2004, Blockbuster management realized the mistake and launched their own subscription service. But only four years later, it was already too late. Hastings admitted that had Blockbuster launched their service just two years earlier they would've put Netflix out of business.



The internet itself wasn't the disruptive innovation to the movie rental business. It was Edholm's law and Moore's law that posed the existential threat to Blockbuster. Semiconductor and transistor breakthroughs collapsed analog VHS tape distributed in brick-and-mortar stores into natively digital information packets, seamlessly streamed across TCP/IP.

This changed everything about the way customers engaged with movie rentals. In fact, it obsoleted the idea of renting movies altogether. The business model was flipped on its head - the customer pays a flat subscription fee and can "rent" as much as they want. And not only can they "rent" movies, but also TV shows, video games, new entertainment genres, and formats that didn't even exist prior.

No late fees, and no returns. "Be Kind, Rewind" atrophied into a forgotten axiom.



Twenty years later, Financial Advisors are staring down the barrel of their industry's Blockbuster moment.

Bitcoin collapses analog value into natively digital money. The key components, Nakamoto consensus, and difficulty-adjusted proof-of-work have forged perfectly scarce digital money issued on a known and predictable schedule. It changes everything about how we interact with money and as a result, it is an existential threat to those who manage money professionally. It will turn advisors' business models upside down just like the countless industries that have already digested the analog-to-digital shift.

Fiat money is breaking under its own weight, in part, because it is rooted in our industrial economic past. Over the last 20 years, the internet has slapped a digital layer on top of the legacy financial system with online banking and brokerage, but under the hood, there has been no real innovation - just the hollowed-out vestige of what once was a gold-based-analog system.

As Saifedean Ammous said, "it is not possible to insulate yourself from the consequences of others holding money that is harder than yours." Bitcoin is the innovation - sound money made sounder because its nature is digital. The 60/40 portfolio is under assault, teetering on the edge of history's dustbin.





The good news for wealth managers is that money itself is not going away. It's becoming more powerful, more extensible, and more versatile. The need for professional money managers who understand and utilize this new money to its fullest extent will only grow. Bitcoin won't necessarily obsolete professional money managers, only those who wait too long to leave the old way behind as Blockbuster did.

## **A Swan at the Dawn**

We built Swan Advisor Services to empower those FAs who want to embrace this innovative disruption – those who want to interact with the protocol and the asset directly.

At the center of it all is access to real Bitcoin. Not crypto and not Bitcoin proxy products. An open platform that allows the advisor and the client to implement the allocation and custody model that best suits their needs.

To date, traditional brokerages have prevented FAs from interacting with real Bitcoin, which has forced their clients into suboptimal products, like GBTC, or over-levered public miner equities. This has created poor outcomes for clients and sacrificed access to a perfectly scarce bearer asset for the convenience of underperforming price-tracking proxy IOUs. The legacy mindset has missed the forest for the trees - mistaking BTC as just another ticker to gain exposure to price action instead of proactively holding sound money.

Other “crypto” advisor solutions have distracted capital away from Bitcoin and restricted or outright prevented self-custody. We are taking the opposite approach. If the advisor and client decide that self-custody is the way, we'll do all we can to help them. Eventually, Swan's collaborative custody tools will empower advisors to more deeply integrate themselves as a trusted advisor supporting their clients' bitcoin plans across generations.

Our world-class content and research team is helping to educate and train firms on Bitcoin. We're helping advisors upgrade their compliance and operational approaches. Our platform enables new business models for the advisor, including collaborative custody, lending, and likely others no one has yet conceived of.



Swan Advisor Services is the trusted partner for advisors to build their Bitcoin strategy and embrace the necessary coming changes to remain in demand.

From a technical standpoint, Swan Advisor Services consists of a new product layer on the base Swan platform built on the foundations of OTC brokerage and qualified custody. Advisor firms onboard an entity account and use our platform to open and manage client accounts either as a discretionary fiduciary or on a held-away, client-directed basis. The advisor dashboard provides advisors much-needed visibility into their clients' bitcoin positions to streamline reporting, statement creation, and billing. It brings bitcoin into the overall financial planning and portfolio management conversation.

## **Early Success Is Building Momentum for Swan and Advisors**

We are currently serving more than a dozen firms that manage well over \$1b in total AUM across many thousands of client accounts. And we've only just started. Every week we onboard more advisors who are getting on the mission.

It's still early days, but the industry is at the tipping point. It's no longer possible for financial advisors to ignore Bitcoin or ignore the systemic issues in the creaking traditional markets. Clients have a lot of questions these days and advisors need well-researched and informed answers. The crypto meltdown of 2022 provided tangible examples for advisors to understand the difference between Bitcoin and crypto. The resulting regulatory scrutiny increased the risk advisors face if and when they recommend crypto assets outside Bitcoin to their clients.

There are approximately 29,000 retail, independent Registered Investment Advisors in the US managing \$10.6 trillion in assets across 4.5 million client accounts. Bitcoin is a bearer asset that is trivial to self-custody without the help of a professional advisor or institutional custodian. The only way the industry can maintain (and grow) that \$10 trillion in AUM is to understand all that Bitcoin has to offer and add value above and beyond commoditized passive investing and forced institutional custody.



Bitcoin aside, the Financial Advisor industry has been under pressure from clients fed up with high-fee products and the increased uptake of robo-advisors and passive index investing. Swan Advisor Services provides the building blocks necessary to ride out the storm of innovative disruption in which advisors currently find themselves, and complete their journey to the new world of a Bitcoin-based system.

We are helping advisors simplify and supercharge portfolio construction and reaffirm their position as trusted fiduciaries plying their trade through relationship building, long-term financial and tax planning, and multi-generational estate work.

There is still time for advisors to avoid going the way of Blockbuster, but it's getting short. Only the strong will survive amongst the professional money manager class and Swan is here to help!

If you work with a financial advisor and would like to see them upgrade their practice to incorporate real bitcoin, you can point them to [swan.com/advisor](http://swan.com/advisor) for more information or put them in direct contact with me at:

✉ [ryan@swanbitcoin.com](mailto:ryan@swanbitcoin.com)

🐦 <https://twitter.com/pricestable>

in <https://www.linkedin.com/in/ryan-flynn-b486b46/>