



FROM FINANCIAL RESILIENCE TO ASYMMETRIC INVESTING

A Practical Investment Framework

Personal finance, financial freedom, paradigm-shift investing,
and decision-making under uncertainty

Central proposition: investing should begin with the design of a life that is financially resilient. A lower and genuinely satisfying spending requirement creates runway, reduces the probability of forced decisions, and makes it psychologically easier to hold a long-term view when markets become chaotic. The resulting surplus can then be divided between a **Freedom Bucket**, which protects financial agency, and a **Fun Bucket**, which funds ambitious forward-looking investment research.

Zerion Research

Author: **Daniel Poling Wong**

September 2026

Alignment Over Force

Abstract

This paper develops an investment framework that begins before security selection. Its first claim is that personal finance is the bedrock of investment behavior. An investor who knows how much is required to live a satisfying life, maintains a durable financial runway, and is not dependent on short-term portfolio outcomes is structurally better positioned to tolerate uncertainty. The paper formalizes this idea through two capital roles: a *Freedom Bucket*, intended to finance a chosen baseline lifestyle, and a *Fun Bucket*, intended for ambitious, forward-looking investments where uncertainty and volatility are accepted as part of the process.

The framework then moves from household finance to investment research. Objectives are reverse-engineered into required return, contribution, and time-horizon assumptions. A paradigm-shift approach is proposed for the Fun Bucket, emphasizing problems being solved, technological enablement, productivity gains, market readiness, scalability, management execution, valuation, and explicit falsification criteria. The aim is not to predict perfectly, but to repeatedly ask: *What would have to be true? What could make the thesis wrong? What is the upside if it is right? What evidence would cause me to change my mind?*

The second half applies first-principles reasoning to money, bonds, U.S. Treasury issuance, Federal Reserve operations, stablecoins, and tokenized government securities. It clarifies several common misconceptions: gross Treasury issuance is not the same as new debt; primary dealers are important but not the only Treasury auction participants; Federal Reserve asset purchases are monetary operations in secondary markets rather than ordinary direct fiscal financing; and modern money creation involves several different liabilities, including commercial-bank deposits and central-bank reserves. A current stablecoin case study illustrates how the same thesis discipline can be applied to an emerging monetary technology while preserving a clear bull case, bear case, and set of thesis-breaking conditions.

How to Read This Paper

The document is organized as a progression rather than as a list of investment products. Part I asks how much money a person actually needs and why that question changes investment behavior. Part II converts life goals into investment mathematics. Part III explains the Fun Bucket and the logic of paradigm-shift investing. Part IV builds a first-principles understanding of money and bonds. Part V applies that understanding to stablecoins and tokenized finance. Part VI returns to portfolio construction and psychology. The appendices turn the framework into worksheets that can be reused.

Important distinction. The paper uses an illustrative example in which a property portfolio is assumed to earn a sustainable **5% net rental yield**. This is an assumption, not a claim that any particular property market will reliably deliver 5% net. “Net” must truly account for vacancy, maintenance, management, taxes, insurance, transaction costs, financing, and other recurring costs. Currency and concentration risk also matter when spending and assets are denominated in different currencies.

Contents

Abstract	i
How to Read This Paper	ii
I Personal Finance Before Investing	1
1 The Bedrock: Financial Resilience Before Returns	2
1.1 Why investing starts with spending	2
1.2 The objective: spend less and remain happy	2
1.3 Three stages of financial freedom	3
1.4 Why resilience can improve investment behavior	4
2 The Freedom Bucket	5
2.1 Defining the Freedom Number	5
2.1.1 The 25x heuristic	5
2.2 A 5% net property-yield example	6
2.3 Freedom is an objective, not an asset class	6
2.4 Strict versus graduated funding	7
II Objectives, Required Returns, and the Mathematics of Ambition	8
3 Start With the Goal, Then Reverse-Engineer the Portfolio	9
3.1 An illustrative goal	9
3.2 Correcting the required-return calculation	9
3.3 The four levers	10
3.4 The personal benchmark	10
4 What a 10x Objective Really Means	12
4.1 The arithmetic of 10x	12
4.2 A 10x security does not automatically create a 10x portfolio	12

III	The Fun Bucket: Researching Paradigm Shifts	14
5	The Purpose of the Fun Bucket	15
5.1	Paradigm shifts rather than product labels	15
6	A Repeatable Paradigm-Shift Thesis	16
6.1	1. Problem	16
6.2	2. Enabling technology	16
6.3	3. Productivity and unit economics	17
6.4	4. Market readiness	17
6.5	5. Scalability and total addressable market	17
6.6	6. Management and capital allocation	18
6.7	7. Valuation	18
6.8	8. Falsification	18
7	Diversification Without Losing Asymmetry	20
7.1	Four layers of diversification	20
IV	First Principles: Money, Bonds, and Liquidity	21
8	What Is Money?	22
8.1	A layered view	22
9	Bonds: A Claim on Future Cash Flows	23
9.1	What a bond is	23
9.2	Why price and yield move in opposite directions	23
9.3	Why bonds matter beyond fixed income portfolios	23
10	How U.S. Treasury Financing Actually Works	24
10.1	Treasury auctions	24
10.2	Gross issuance is not new borrowing	24
11	The Federal Reserve and Open-Market Operations	25
12	The Rising Fiscal Importance of Interest	26
12.1	Federal Reserve remittances are not guaranteed	26

V	Programmable Money and the Stablecoin Thesis	27
13	From Crypto Asset to Dollar Infrastructure	28
14	The GENIUS Act and Reserve-Backed Stablecoins	29
14.1	Why the source of stablecoin growth matters	29
14.2	Scale today and the possible future	29
15	Case Study: Circle and USDC	30
15.1	The business mechanism	30
15.2	A bull case	30
15.3	A bear case	31
15.4	What would change the thesis?	31
16	Tokenized Treasuries: Beyond Stablecoins	33
VI	Portfolio Risk and the Psychology of Uncertainty	34
17	Risk Is More Than Volatility	35
17.1	A practical risk taxonomy	35
17.2	Leverage and calmness	35
17.3	The Freedom Bucket as an anti-liquidation device	35
18	A Psychological Operating System	36
18.1	Do your own research	36
18.2	Metrics are tools, not reality	36
18.3	Being wrong is part of the process	36
19	Putting the Whole Framework Together	37
20	Conclusion: Money Has Two Jobs	38
A	Freedom Bucket Worksheet	39
B	Goal and Return Worksheet	41
C	One-Page Paradigm-Shift Thesis Template	42

D Thesis Update Journal	43
E Glossary	44
F Data Notes and Methodological Clarifications	45
Disclaimer	48

PART I

Personal Finance Before Investing

Alignment over force

Chapter 1 – The Bedrock: Financial Resilience Before Returns

1.1 Why investing starts with spending

Investment conversations often begin too late in the sequence. They begin with expected returns, asset classes, stock selection, valuation multiples, or market forecasts. A more useful starting point is simpler: **What amount of annual spending allows a person to be relatively happy?**

This question is not an exercise in deprivation. It is an optimization problem. A person who can reduce spending from \$80,000 to \$40,000 while preserving most of the life satisfaction that matters has changed far more than a budget. They have doubled the proportion of a \$100,000 after-tax income that is available for saving and investment, reduced the amount of capital required for financial independence, and lowered the level of portfolio income that must be extracted in difficult markets.

In the illustrative portfolio example, annual expenses fall from \$80,000 to \$40,000, while annual contributions rise from \$20,000 to \$60,000. That is a structural improvement before a single security is selected. The most reliable return available to an investor is often the return from changing the relationship between income, consumption, and saving.



The objective is not austerity. It is resilience: keeping lifestyle needs stable enough that market volatility does not dictate behavior.

Figure 1.1: *Personal finance can be understood as behavioral risk management.*

The Federal Reserve’s 2025 Survey of Household Economics and Decisionmaking provides a practical reminder of why financial buffers matter. Only 63% of U.S. adults said they would cover a hypothetical \$400 emergency expense entirely using cash or its equivalent, and 55% reported having a rainy-day fund sufficient for three months of expenses.[1] These statistics are not investment-return statistics. They are resilience statistics. A household without liquidity may be forced to borrow, sell assets, or abandon a long-term plan at the worst possible moment.

1.2 The objective: spend less and remain happy

“Spend less” is frequently framed as sacrifice. Within this framework, the preferred goal is **spend efficiently**: preserve high-value experiences and remove low-value recurring consumption.

A useful annual spending estimate should separate at least five categories:

1. **Non-negotiable living costs:** housing, food, utilities, insurance, transport, basic family obligations.
2. **High-value discretionary spending:** travel, hobbies, education, social life, or experiences that meaningfully improve life.
3. **Irregular but predictable expenses:** repairs, medical deductibles, technology replacement, taxes, annual fees.
4. **Contingency:** an explicit buffer for the fact that no budget is perfectly forecastable.
5. **Inflation:** the spending number should be thought about in real purchasing-power terms, not merely today's nominal dollars.

The target is not the lowest possible number. The target is the *lowest durable number that still feels like a good life*. If a budget is psychologically unsustainable, it is not a robust financial plan.

1.3 Three stages of financial freedom

This framework describes a lifelong journey from financial reliance to capital sustaining one's lifestyle. This can be expressed as three stages.

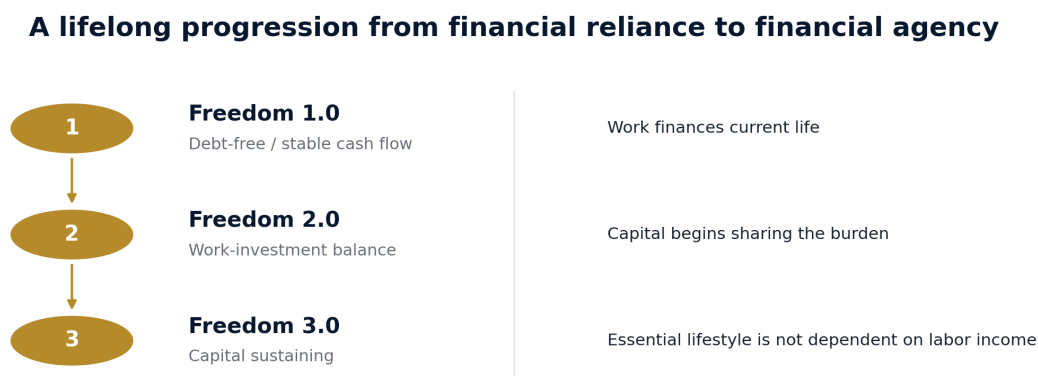


Figure 1.2: A progression from work-dependent cash flow toward capital-sustaining financial agency.

Freedom 1.0: stable, debt-controlled living. Income from work supports current spending without persistent dependence on expensive debt. The goal is not retirement; it is control.

Freedom 2.0: work and investment balanced. Capital income begins to pay a meaningful share of expenses. Employment is still important, but the household is less fragile to one source of income.

Freedom 3.0: capital sustaining. A chosen baseline lifestyle can be supported without requiring labor income. Work can continue, but it becomes more optional.

This progression converts “financial freedom” from a vague emotional aspiration into a measurable cash-flow problem.

1.4 Why resilience can improve investment behavior

A resilient personal balance sheet changes the investor's relationship with volatility. It can reduce:

- the probability of being forced to sell during a drawdown;
- dependence on leverage;
- the need to generate a specific short-term return;
- the emotional shock caused by temporary portfolio losses;
- the temptation to abandon a thesis simply because prices are moving against it.

Behavioral finance provides a related insight. Benartzi and Thaler's work on *myopic loss aversion* combines loss aversion with frequent evaluation of investment outcomes: investors who repeatedly focus on short-term fluctuations may experience long-term assets as more painful and risky than their long horizon would imply.[3] The implication is not "never check a portfolio." It is that the investor's operating environment matters. Financial runway, appropriate position sizing, and a longer evaluation interval can make it easier to judge information rather than react to noise.

Principle 1 - Personal finance is part of risk management.

A portfolio is not truly long-term if the owner's lifestyle may force it to become short-term.

Chapter 2 – The Freedom Bucket

2.1 Defining the Freedom Number

Let:

H = annual spending required for a satisfying baseline life

and let:

y = sustainable net cash yield or withdrawal rate

Then the simplest version of the Freedom Number is:

$$F = \frac{H}{y}$$

If annual baseline spending is \$50,000 and an investor assumes a genuinely sustainable net yield of 5%, then:

$$F = \frac{50,000}{0.05} = \$1,000,000$$

This is the core intuition of the Freedom Bucket: each \$1 million of capital earning a true 5% net cash yield would finance \$50,000 of annual spending.

2.1.1 The 25x heuristic

A 4% withdrawal assumption implies:

$$F = 25H$$

which explains the framework’s “25x yearly expenses” lifeline. The 4% rule is a historical heuristic rather than a law. Current forward-looking retirement research can produce different estimates; Morningstar’s 2025 research, for example, estimated a 3.9% starting safe withdrawal rate for a 30-year horizon, fixed inflation-adjusted spending, and a 90% probability of funds remaining at the end.[2] A 3.9% rate corresponds to approximately 25.6 times annual spending.

The important lesson is not whether the right multiplier is 20x, 25x, or 30x. The lesson is that **spending and sustainable yield jointly determine the amount of capital required**.

Table 2.1: *Illustrative Freedom Numbers under different annual spending and yield assumptions*

Annual baseline spend	3.0%	3.9%	4.0%	5.0%
\$40,000	\$1.33m	\$1.03m	\$1.00m	\$0.80m
\$50,000	\$1.67m	\$1.28m	\$1.25m	\$1.00m
\$80,000	\$2.67m	\$2.05m	\$2.00m	\$1.60m

The table shows why reducing annual spending can be so powerful. Moving from \$80,000 to \$40,000 halves

the capital needed at every assumed yield.

2.2 A 5% net property-yield example

Suppose an investor believes that a diversified set of properties can deliver a 5% sustainable *net* rental yield. The arithmetic is attractive because it is tangible: a \$1 million Freedom Bucket produces \$50,000 per year.

But the word “net” carries the entire burden of the assumption. A serious calculation should test:

- vacancy and tenant turnover;
- repairs, sinking funds, furnishing, and capital expenditure;
- property management;
- taxes and insurance;
- legal and transaction costs;
- financing costs, if debt is used;
- local regulatory risk;
- concentration by city, building, or tenant type;
- foreign-exchange risk if spending occurs in another currency;
- whether rent growth keeps pace with inflation.

If an apparent 5% net yield becomes 4% after realistic stress, the \$50,000 Freedom Number rises from \$1.0 million to \$1.25 million. At 3.5%, it rises to approximately \$1.43 million. A freedom asset should therefore be evaluated for **dependability**, not only headline yield.

2.3 Freedom is an objective, not an asset class

A common mistake is to equate “safe” with one favorite asset. The Freedom Bucket is better defined by its **job**: it is capital whose failure would directly threaten lifestyle security.

That objective implies a higher standard for:

- liquidity;
- income reliability;
- diversification;
- leverage;
- counterparty risk;
- legal title and custody;
- currency matching between assets and liabilities.

An investor may choose property, high-quality bonds, cash-like instruments, a diversified portfolio, or a combination. The appropriate structure depends on the investor's jurisdiction, taxation, age, family obligations, and beliefs about long-term real returns. What matters is that the Freedom Bucket should not be allowed to inherit the risk appetite of the Fun Bucket.

2.4 Strict versus graduated funding

The strict version of the framework is:

1. determine the Freedom Number;
2. build the Freedom Bucket to that lifeline;
3. direct subsequent risk capital into the Fun Bucket.

A graduated version can reserve a small amount of learning capital for the Fun Bucket before the Freedom target is fully achieved. The justification is educational: research skill, market experience, and the ability to tolerate volatility are learned over time. But the learning allocation should be small enough that a complete loss does not materially delay the Freedom mandate.

Principle 2 - The Freedom Bucket exists to protect agency.

Its purpose is not maximum return. Its purpose is to reduce the chance that markets, employers, creditors, or short-term liquidity needs dictate the investor's next action.

PART II

Objectives, Required Returns, and the Mathematics of Ambition

Alignment over force

Chapter 3 – Start With the Goal, Then Reverse-Engineer the Portfolio

3.1 An illustrative goal

Consider the following illustrative profile:

- age: 30;
- after-tax employment income: \$100,000 per year;
- annual expenses: reduced from \$80,000 to \$40,000;
- initial investment capital: \$200,000;
- annual portfolio contribution: increased from \$20,000 to \$60,000;
- first Freedom goal: \$1 million, intended to support \$40,000 of expenses;
- family Freedom goal: \$2 million, intended to support \$80,000 of expenses.

This is exactly the right way to begin: with an explicit target, time horizon, contribution rate, and spending requirement.

3.2 Correcting the required-return calculation

If \$200,000 is invested initially, \$60,000 is contributed at each year-end, and the target is \$2 million after n years, then the future-value equation is:

$$2,000,000 = 200,000(1 + r)^n + 60,000 \left(\frac{(1 + r)^n - 1}{r} \right)$$

Solving for r gives the following approximate annualized returns:

Table 3.1: Required annualized return to reach \$2 million

Time horizon	Required return
5 years	44.9%
6 years	34.0%
7 years	26.7%
8 years	21.5%
9 years	17.7%
10 years	14.8%

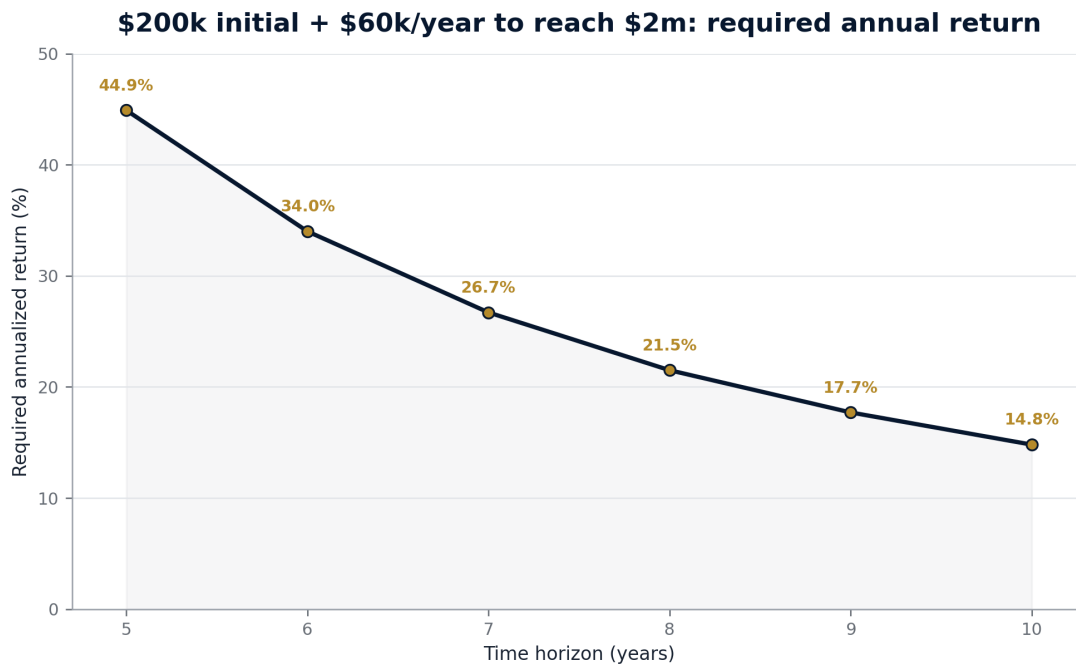


Figure 3.1: Time is one of the most powerful risk-management variables.

The original slide's 5-year figure of roughly 57% is too high when the \$60,000 annual contributions are included. This correction matters because the purpose of reverse-engineering is to prevent an unrealistic return target from silently becoming an excuse for excessive risk.

3.3 The four levers

When a required return is implausibly high, the investor has four major levers:

1. **Spend less** - lowers the final Freedom target.
2. **Contribute more** - increases capital without requiring market returns.
3. **Wait longer** - allows compounding to do more work.
4. **Accept a higher-risk return target** - potentially increases upside, but also raises failure risk.

The first three are partly under the investor's control. The fourth is not. Markets do not owe an investor the return required by a spreadsheet.

3.4 The personal benchmark

A benchmark should answer a question. A market index answers "How did this portfolio perform relative to a broad market?" A personal benchmark can answer a different question: "Am I progressing toward the life objective?"

For the Freedom Bucket, a relevant benchmark may be:

$$\text{real income generated} \geq \text{real baseline spending}$$

For the Fun Bucket, the benchmark may be more demanding because the purpose is asymmetric growth. But the benchmark must remain connected to time, risk, and opportunity cost. A 20% annual return can be extraordinary in one context and insufficient in another if the investor has adopted an impossible five-year goal.

Principle 3 - Never let the goal dictate what the market must return.

Change the plan before changing the definition of acceptable risk.

Chapter 4 – What a 10x Objective Really Means

4.1 The arithmetic of 10x

A tenfold return sounds intuitive but implies very different annual returns depending on the horizon:

$$\text{CAGR}_{10x} = 10^{1/n} - 1$$

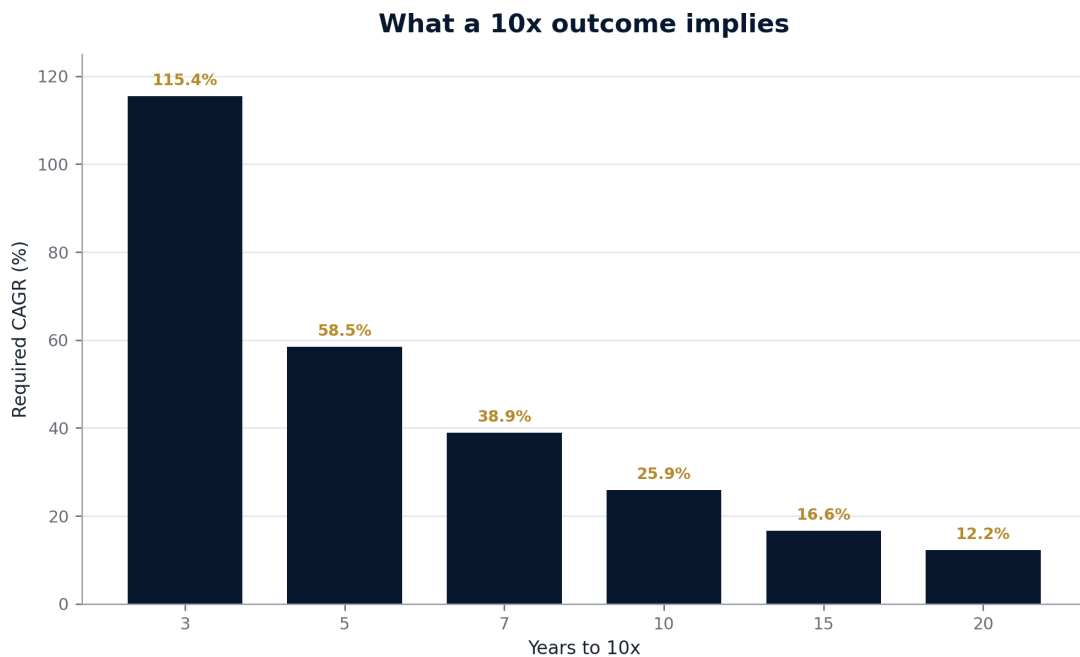


Figure 4.1: The annual growth required for a 10x outcome falls rapidly as the time horizon lengthens.

A 10x outcome in five years requires approximately 58.5% compounded annually. In ten years it requires about 25.9%, and in twenty years about 12.2%. The horizon therefore changes the meaning of “ambitious.”

4.2 A 10x security does not automatically create a 10x portfolio

Suppose an investor owns ten equally weighted positions. If one rises 10x and the other nine fall to zero, the final portfolio merely returns to approximately its starting value. A 10x framework therefore requires more than finding an occasional winner. It requires:

- enough position size in winners to matter;
- avoiding catastrophic loss across the rest of the portfolio;
- the ability to hold winners through volatility;
- a sell discipline that does not cut the upside too early;

- a portfolio structure that survives being wrong.

This is the tension at the heart of asymmetric investing: concentration can make exceptional winners matter, but concentration also magnifies thesis error. Portfolio construction must mediate between those two realities.

PART III

The Fun Bucket: Researching Paradigm Shifts

Alignment over force

Chapter 5 – The Purpose of the Fun Bucket

The Fun Bucket is capital whose purpose is not immediate lifestyle security. Its job is to pursue forward-looking opportunities that the investor finds intellectually compelling and potentially transformative.

Calling it “fun” is deliberate. The objective is to make research an active process of curiosity rather than a permanent source of anxiety. The investor is allowed to be ambitious because failure in this bucket should not destroy the baseline life financed by the Freedom Bucket.

Fun Bucket mandate: research deeply, seek asymmetric upside, accept uncertainty, give capital back to the Freedom objective when appropriate, and above all remain solvent.

5.1 Paradigm shifts rather than product labels

A practical paradigm-shift framework considers technology, disruptiveness, productivity improvement, timing, market readiness, scalability, and total addressable market. These features can be reorganized into a more general principle:

The next great company in a category is unlikely to win merely by repeating the surface product of the previous winner. It is more likely to solve the next bottleneck created by the previous paradigm.

This is the reasoning behind the statement that “the next Amazon would not simply be e-commerce” and “the next Tesla would not simply be cars.” The investor should ask what *function* is changing.

Historical examples illustrate this functional lens:

- Amazon: retail distribution moving onto internet infrastructure;
- Netflix: physical or scheduled media distribution moving toward internet subscription and on-demand delivery;
- NVIDIA: graphics-processing hardware becoming a general computational substrate for increasingly parallel workloads, including AI;
- Tesla: the automobile increasingly treated as an integrated software, battery, electronics, and hardware platform;
- Palantir: organizational data and decision workflows increasingly operationalized through software.

The point is not that these companies must continue to outperform. The point is to study **what changed in the system that made their scale possible**.

Chapter 6 – A Repeatable Paradigm-Shift Thesis

A thesis is a living hypothesis, not a declaration of identity

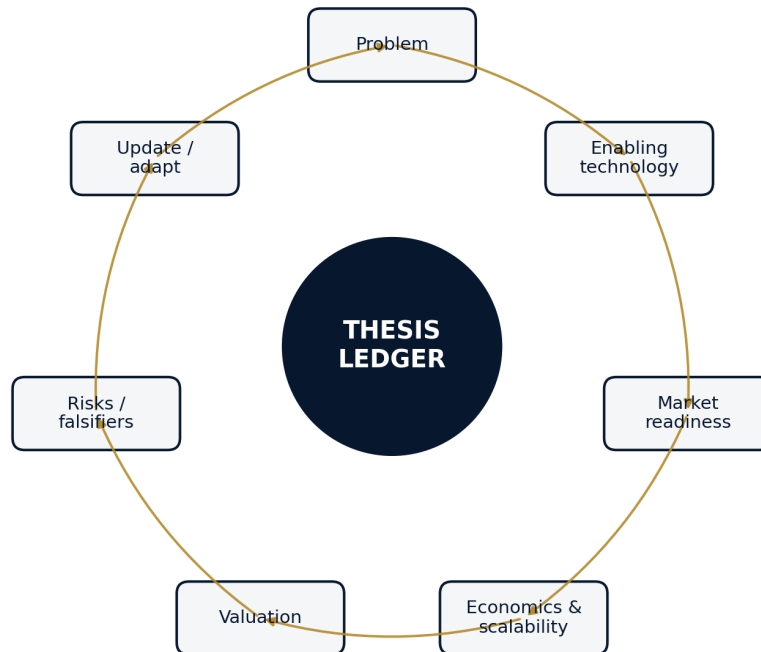


Figure 6.1: *A strong thesis is repeatedly updated and actively exposed to disconfirming evidence.*

6.1 1. Problem

What costly, slow, unreliable, or inconvenient condition exists today? Is the problem large enough that customers will change behavior to solve it? Is the problem visible, or is it latent and only becoming obvious because a new technology makes a different solution possible?

6.2 2. Enabling technology

What changed technically? A paradigm shift usually requires an enabling condition: cheaper compute, better batteries, broadband, new regulation, a new distribution channel, improved AI models, programmable settlement, or some other capability that changes the feasible set.

The right question is not “Is the technology impressive?” It is “What becomes economically possible now that was not possible before?”

6.3 3. Productivity and unit economics

Innovation becomes investable when it improves economics:

- lower cost per transaction;
- faster cycle times;
- higher utilization of assets;
- less labor required per unit of output;
- lower error rates;
- new revenue streams;
- network effects;
- lower coordination costs.

A technology can be socially important without producing attractive shareholder economics. The research task is to identify who captures the value.

6.4 4. Market readiness

Timing can dominate technological quality. A product can be early enough to fail and later become obvious. Market readiness includes:

- customer behavior;
- institutional willingness;
- regulation;
- complementary infrastructure;
- distribution;
- cost curves;
- cultural acceptance.

A useful intuition is to enter during a period of acceleration rather than at the earliest imaginable stage: the investor is seeking a point where evidence of adoption is strong enough to reduce existential risk but early enough that scale is not fully priced.

6.5 5. Scalability and total addressable market

A 10x thesis usually requires one or more of the following:

- the existing market is enormous;

- the product expands the size of the market;
- the company moves into adjacent markets;
- unit economics improve materially with scale;
- a network effect creates increasing returns.

A static total-addressable-market estimate can be misleading. A paradigm shift can create new demand by reducing price, increasing convenience, or enabling entirely new use cases.

6.6 6. Management and capital allocation

In an uncertain market, the quality of management is not merely a biographical detail. The investor should examine:

- evidence that the team can adapt;
- prior capital-allocation decisions;
- product cadence;
- regulatory competence;
- incentive alignment;
- dilution;
- acquisitions;
- credibility of long-term claims.

6.7 7. Valuation

A great paradigm can still be a poor investment at the wrong price. A 10x stock outcome usually requires some combination of:

1. substantial revenue growth;
2. margin expansion;
3. durable reinvestment opportunities;
4. a valuation multiple that remains high or expands.

If the current valuation already assumes a near-perfect future, the asymmetry may be reversed: modest execution can produce large downside.

6.8 8. Falsification

The strongest question in the framework is: **How could I be wrong?**

Before investing, write:

- the three strongest arguments against the thesis;
- the data that would falsify the adoption thesis;
- the data that would falsify the economics;
- the regulatory event that would materially change the opportunity;
- the competitive development that would invalidate the moat;
- the valuation level at which future upside becomes unattractive.

This converts “conviction” from emotional intensity into a set of testable claims.

Principle 4 - A thesis should tell you not only why to buy, but what would make you change your mind.

Chapter 7 – Diversification Without Losing Asymmetry

An illustrative portfolio allocates 40% to Circle, 20% to Coinbase, and 10% each to PayPal, Block, Tesla, and NVIDIA. It contains three roles: a crypto core, a fintech buffer, and an innovation hedge.

The structure is diversified by company, but it remains highly concentrated by **economic driver**. Circle and Coinbase are directly exposed to digital-asset adoption and liquidity. PayPal and Block are payments businesses. Tesla and NVIDIA are growth-oriented technology exposures. A broad contraction in risk appetite, funding liquidity, or high-duration growth valuations could therefore affect several holdings at the same time.

FINRA and the SEC both emphasize that diversification requires attention not only to the number of holdings, but also to asset class, sector, overlap, and concentration.[5, 6] Markowitz's foundational portfolio work formalized the broader idea that portfolio risk depends on the joint behavior of assets, not only the risk of each asset considered independently.[4]

7.1 Four layers of diversification

1. **Entity risk**: management failure, competition, fraud, lawsuits, product execution.
2. **Sector risk**: a whole industry faces regulation, technological obsolescence, or demand contraction.
3. **Asset-class risk**: equity markets or property markets reprice broadly.
4. **Macro-liquidity risk**: correlations rise during stress because many assets depend on the same funding environment.

The Freedom/Fun structure creates an additional layer: **purpose diversification**. Even if the Fun Bucket is intentionally concentrated, the investor's baseline life is not supposed to depend on it.

PART IV

**First Principles: Money, Bonds, and
Liquidity**

Alignment over force

Chapter 8 – What Is Money?

Money is often treated as a familiar object rather than a system of claims. A first-principles approach is more useful.

Economically, money performs three familiar functions:

- medium of exchange;
- unit of account;
- store of value.

Institutionally, however, modern economies contain several forms of money. The Bank of England’s widely cited explanation distinguishes currency, commercial-bank deposits, and central-bank reserves, and emphasizes that most broad money is created through commercial-bank lending rather than by a simple mechanical “money multiplier.”[7]

This distinction matters because discussions about Treasuries, central banks, stablecoins, and “money creation” can otherwise mix together different liabilities.

8.1 A layered view

A simplified U.S.-dollar system contains:

1. **Physical currency:** Federal Reserve notes held by the public.
2. **Commercial-bank deposits:** bank liabilities used by households and businesses for most payments.
3. **Central-bank reserves:** Federal Reserve liabilities held mainly by eligible financial institutions.
4. **Treasury securities:** interest-bearing obligations of the U.S. government. They are not ordinary transaction money, but they are central collateral and safe assets in the financial system.

When a commercial bank makes a loan, it can create a matching deposit. When the Federal Reserve buys securities, it pays by increasing reserve balances in the banking system.[8] These are related to the money system, but they are not the same transaction.

Chapter 9 – Bonds: A Claim on Future Cash Flows

9.1 What a bond is

A bond is a contractual claim. The issuer receives funds today and promises future payments.

A simple coupon bond has:

- a face value;
- a maturity date;
- coupon payments;
- a market price;
- a yield implied by the relationship between price and promised cash flows.

Treasury bills are typically sold at a discount or at par and pay face value at maturity. Treasury notes and bonds generally pay coupon interest. Treasury Inflation-Protected Securities adjust principal for inflation, while floating-rate notes reset their interest rate according to a reference rate.

9.2 Why price and yield move in opposite directions

Suppose a \$1,000 bond pays a fixed \$50 annual coupon. When market yields for comparable bonds rise, new investors can obtain more income elsewhere. The old bond must generally fall in price until its return becomes competitive. When market yields fall, the fixed \$50 coupon becomes more valuable and the bond price can rise.

This relationship creates **duration risk**: the longer and more distant the cash flows, the more sensitive the price tends to be to changes in discount rates.

9.3 Why bonds matter beyond fixed income portfolios

Government bonds are important because they serve several roles simultaneously:

- finance government deficits and refinance maturing obligations;
- provide a benchmark yield curve;
- serve as high-quality collateral;
- anchor pricing across credit markets;
- provide assets used by money-market funds, banks, insurers, foreign reserve managers, and central banks.

Understanding bonds is therefore part of understanding money and liquidity.

Chapter 10 – How U.S. Treasury Financing Actually Works

10.1 Treasury auctions

Marketable Treasury securities are sold through public auctions. TreasuryDirect states that Treasury bills, notes, bonds, TIPS, and floating-rate notes are sold at auction, and investors can participate directly in certain forms or through banks, brokers, and dealers.[9]

Primary dealers are important participants. The New York Fed expects them to make markets and to bid on a pro-rata basis in Treasury auctions at reasonably competitive prices.[10] But primary dealers are **not the only buyers**. Direct bidders, indirect bidders, institutions, foreign entities, investment funds, and others also participate.

10.2 Gross issuance is not new borrowing

One of the most important methodological clarifications in this paper is the distinction between **gross Treasury issuance** and **new debt**.

Treasury reports that it held 444 public auctions in 2025 and issued approximately \$29.7 trillion of marketable Treasury securities.[9] That does not mean the government added \$29.7 trillion to the debt in one year. Much of gross issuance refinances maturing bills, notes, and bonds.

GAO reports that total federal debt rose by about \$2.2 trillion during fiscal 2025, to \$37.6 trillion, while the budget deficit was about \$1.8 trillion.[11] The gap between \$29.7 trillion of gross issuance and the much smaller increase in outstanding debt is mostly a refinancing reality.

Principle 5 - Always distinguish flow from stock.

Gross issuance tells us how much security issuance passes through auctions. The change in debt outstanding tells us how much the stock of debt changed. The budget deficit tells us how much spending exceeded revenue during the fiscal period.

Chapter 11 – The Federal Reserve and Open-Market Operations

Treasury finance and monetary operations are connected - but not the same process

Treasury borrowing is fiscal financing. Fed open-market purchases are monetary-policy operations in the secondary market.

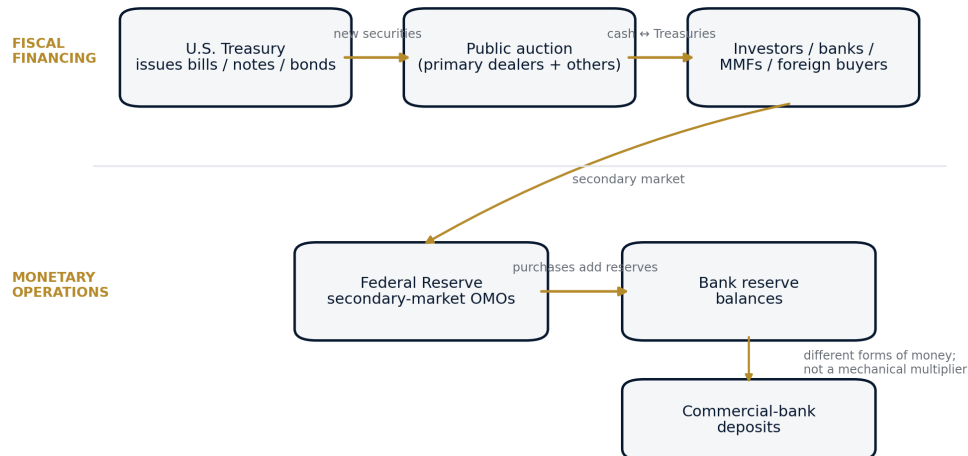


Figure 11.1: A simplified distinction between Treasury financing and Federal Reserve monetary operations.

The Federal Reserve describes open-market operations as purchases and sales of securities used to implement monetary policy.[12] When the Fed purchases a security, it pays by crediting reserve balances in the banking system; when it sells or allows assets to run off, the effect can work in the opposite direction.[8]

The New York Fed states that its Trading Desk buys and sells Treasury securities in the **secondary market**, while also rolling over maturing SOMA holdings at auction as directed by the FOMC.[13]

This distinction prevents a common conceptual error. Under the current U.S. institutional structure:

- Treasury fiscal deficits are ordinarily financed through taxation and borrowing;
- the Federal Reserve conducts monetary policy with its own balance sheet;
- secondary-market Fed purchases can increase bank reserves;
- commercial banks can create deposits through lending.

Therefore, the statement “government cannot create money without incurring debt” is too broad as a theory of modern money. A more precise statement is: **under ordinary U.S. fiscal operations, deficits are financed by issuing Treasury debt, while money creation also occurs through separate banking and central-bank mechanisms.**

Chapter 12 – The Rising Fiscal Importance of Interest

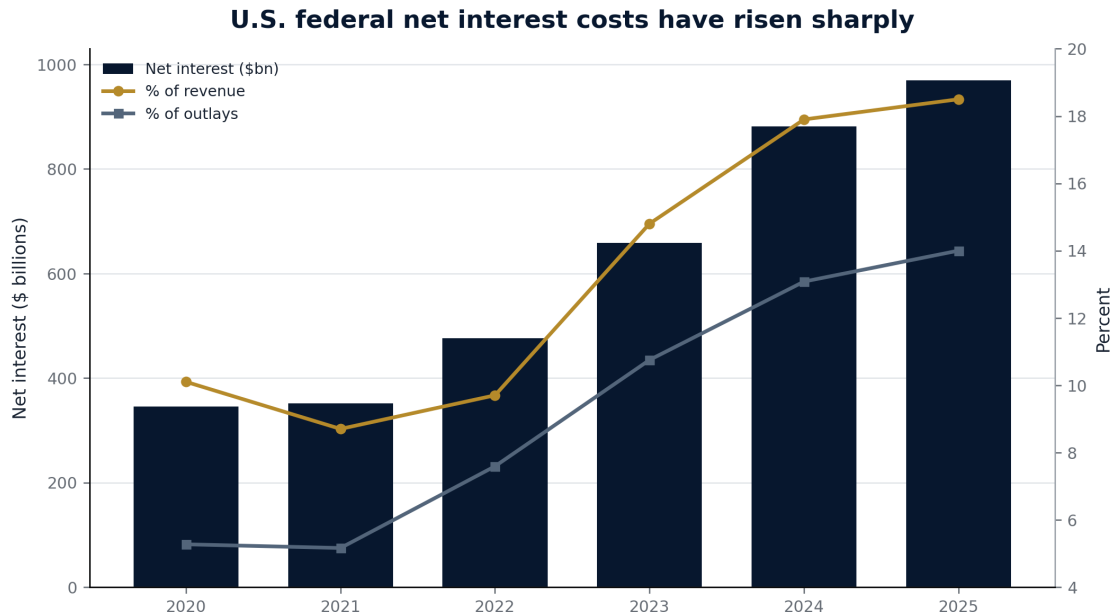


Figure 12.1: Approximate U.S. federal net interest costs and ratios, 2020–2025. Sources: CBO and GAO.

CBO reports that net interest costs were about \$970 billion in fiscal 2025, equal to 3.2% of GDP.[14] GAO separately reports total interest expense on federal debt of about \$1.224 trillion in fiscal 2025; the difference reflects accounting definitions, including intragovernmental debt and the distinction between gross interest expense and budgetary net interest.[11]

The important economic point is direction. As the debt stock rises and maturing low-rate debt is refinanced at different rates, interest expense can consume a larger share of revenue and federal outlays. That can alter the political and market sensitivity to borrowing costs.

12.1 Federal Reserve remittances are not guaranteed

It is important to note that the Federal Reserve has historically remitted residual earnings to the Treasury after expenses, dividends, and required surplus provisions. But those remittances are not mechanically positive each year.

The Federal Reserve’s 2025 combined financial statements reported a system net loss before remittances of approximately \$18.8 billion, compared with a larger loss in 2024, and a deferred asset associated with cumulative negative net income.[15] By mid-2026, some Reserve Banks had resumed remittances while the systemwide deferred asset remained substantial.[16]

This is useful for thesis building because it demonstrates how interest-rate regimes can change institutional cash flows. A system that appears stable in one rate environment may produce very different financial results in another.

PART V

Programmable Money and the Stablecoin Thesis

Alignment over force

Chapter 13 – From Crypto Asset to Dollar Infrastructure

The paper's monetary thesis is not simply “cryptocurrency goes up.” Its more interesting claim is that blockchain infrastructure could become a **new channel for global dollar liquidity**.

That idea requires separating three categories:

1. **native crypto assets**, whose value is not a direct claim on dollars;
2. **payment stablecoins**, designed to maintain a stable value relative to a fiat currency;
3. **tokenized traditional assets**, such as money-market fund shares or Treasury exposures represented and transferred using blockchain-integrated systems.

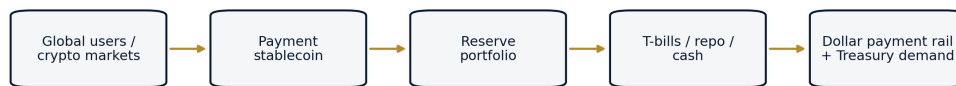
This spectrum is important because “programmable money” is not one product. It is a family of settlement, custody, ownership-record, and payment architectures.

Chapter 14 – The GENIUS Act and Reserve-Backed Stablecoins

The U.S. GENIUS Act was signed into law on July 18, 2025, establishing a federal legal framework for payment stablecoins.[17] Treasury’s subsequent description states that qualifying stablecoins are to be backed on a one-to-one basis by permitted reserve assets, including cash, deposits, repo, and Treasury securities with remaining maturity of 93 days or less, as well as qualifying money-market funds holding similar assets.[18]

This matters for the investment thesis because regulation can transform demand for safe short-duration assets from a voluntary industry practice into a more standardized architecture.

Stablecoins can create a new channel for demand for short-dated U.S. government assets



The net effect depends on the funding source: new offshore dollar demand, bank deposits, money-market funds, or other assets.

Figure 14.1: *The stablecoin-to-Treasury channel.*

14.1 Why the source of stablecoin growth matters

Treasury’s Borrowing Advisory Committee has emphasized that the effect on Treasury demand depends on where stablecoin funding comes from.[19] If stablecoin growth represents new offshore demand for dollar assets, it can create incremental demand for Treasury bills. If users simply move cash from a money-market fund already holding T-bills into a stablecoin backed by T-bills, the net effect may be closer to neutral. If stablecoins draw heavily from bank deposits, the effect may include changes to bank funding and credit creation.

This is a good example of first-principles investment analysis. The headline “stablecoins buy Treasuries” is true but incomplete. The economically relevant question is: **what is the counterfactual use of the capital?**

14.2 Scale today and the possible future

A 2025 Treasury advisory analysis estimated that major stablecoin issuers already held more than \$120 billion of Treasury bills and illustrated a scenario in which rapid stablecoin growth could imply roughly \$900 billion of incremental T-bill demand.[19] A later Treasury presentation noted that major issuers’ T-bill holdings had increased substantially since 2022 and that stablecoin issuers still represented less than 1% of Treasuries outstanding.[20]

The asymmetry is therefore visible: the current footprint is meaningful in short-duration markets, but still small relative to the total Treasury market.

Chapter 15 – Case Study: Circle and USDC

Case-study scope. Circle is used here because it directly connects the paper’s monetary-system analysis with the investment-thesis framework. This section is not a recommendation to buy or sell Circle shares.

15.1 The business mechanism

Circle’s USDC is designed to be redeemable 1:1 for U.S. dollars and backed by highly liquid dollar-denominated reserve assets. Circle states that the Circle Reserve Fund can hold short-dated U.S. Treasuries, overnight Treasury repo, and cash, with the fund managed by BlackRock and custodied by BNY.[21]

The economic model therefore links:

USDC circulation → reserve assets → reserve income

Circle’s 2025 Form 10-K reported:

- year-end USDC in circulation of approximately \$75.3 billion;
- average 2025 USDC in circulation of approximately \$64.9 billion;
- a reserve return rate of 4.1%;
- total revenue and reserve income of approximately \$2.75 billion;
- reserve income of approximately \$2.64 billion;
- reserve income equal to 96% of total revenue and reserve income;
- total distribution, transaction, and other costs of approximately \$1.66 billion.[22]

This produces a clear thesis variable: Circle benefits from greater USDC circulation, but its economics are also sensitive to reserve yields and distribution arrangements.

15.2 A bull case

A coherent bull thesis could be:

1. internet-native dollar settlement continues to grow globally;
2. regulatory clarity increases institutional adoption;
3. USDC circulation grows faster than declining reserve yields compress income;
4. tokenized financial markets increase demand for a high-quality settlement asset;

5. Circle diversifies beyond reserve income into higher-margin network and software-like revenue;
6. distribution economics improve as Circle's own platform and network importance grow.

The upside is not merely more crypto trading. The stronger paradigm thesis is that a regulated digital dollar can become a widely used settlement layer.

15.3 A bear case

A serious bear thesis includes:

- interest rates fall faster than USDC circulation rises;
- stablecoin market share shifts to competitors;
- distribution partners capture a large share of economics;
- stablecoins become commoditized with minimal issuer margins;
- banks respond with tokenized deposits that retain customer relationships and regulatory advantages;
- a reserve, operational, cyber, or depegging event damages trust;
- regulation limits use cases or raises compliance costs;
- the market valuation embeds adoption that arrives more slowly than expected.

Circle's own 10-K demonstrates one of these sensitivities: in 2025 the increase in average USDC circulation materially increased reserve income, but lower reserve yields offset part of that benefit.[22]

15.4 What would change the thesis?

A disciplined thesis ledger might contain the following triggers.

Evidence that strengthens the thesis:

- sustained growth in USDC circulation and payment use;
- declining dependence on reserve income;
- improving revenue less distribution-cost margin;
- broader institutional integration;
- continued regulatory acceptance across major markets.

Evidence that weakens or breaks the thesis:

- persistent circulation stagnation despite overall stablecoin-market growth;
- material deterioration in trust or redemption liquidity;
- durable margin compression from partners or competition;

- regulation that structurally disadvantages non-bank issuers;
- tokenized bank money becoming a superior substitute for core use cases.

This is the practical meaning of “always assess if I got something wrong.”

Chapter 16 – Tokenized Treasuries: Beyond Stablecoins

Tokenization can also represent the ownership of yield-bearing traditional assets. Franklin Templeton's OnChain U.S. Government Money Fund is a U.S.-registered government money-market fund whose transfer agent uses a blockchain-integrated system as the official record of share ownership. Franklin states that the fund invests at least 99.5% of assets in government securities, cash, and fully collateralized repo; as of June 30, 2026, it reported approximately \$753 million in net assets.[23]

BlackRock has likewise described its tokenized Treasury fund as the world's largest tokenized fund and noted that it manages substantial stablecoin reserves.[24]

These examples suggest a broader possible paradigm:

1. cash-like stablecoins provide settlement liquidity;
2. tokenized funds provide on-chain yield-bearing assets;
3. programmable systems allow assets and payment to interact through software;
4. traditional regulatory wrappers can coexist with new ownership and settlement rails.

The disruption may therefore be less about replacing all existing money and more about **making existing financial claims interoperable with internet-native software**.

PART VI

Portfolio Risk and the Psychology of Uncertainty

Alignment over force

Chapter 17 – Risk Is More Than Volatility

This framework identifies market, entity, sector, asset-class, liquidity, personal, leverage, and psychological risk. This is a stronger framing than simply asking for portfolio standard deviation because the risks that destroy a financial plan are often path-dependent.

17.1 A practical risk taxonomy

Risk	Question to ask
Entity risk	What happens if management, execution, governance, litigation, or competition damages this specific company?
Sector risk	What common shock could hurt many holdings simultaneously?
Asset-class risk	What if the entire valuation regime for equities, property, or crypto changes?
Liquidity risk	Can I exit when I need to, at a price close to observed marks?
Leverage risk	Can a temporary price move force liquidation or margin calls?
Counterparty risk	Who owes me the asset or cash, and what happens if they fail?
Currency risk	Are my assets and future spending obligations in different currencies?
Regulatory risk	Can law change the economics or accessibility of the investment?
Personal cash-flow risk	Could job loss, family expenses, or emergencies force a sale?
Psychological risk	Will I abandon the plan because the position size is emotionally intolerable?

17.2 Leverage and calmness

Leverage is especially important because it converts volatility into solvency risk. An unlevered investor can often wait. A levered investor may lose the ability to choose the timing of a decision. If the philosophical objective is to remain relatively calm under chaos, leverage should be treated as a scarce risk budget rather than as a routine return enhancer.

17.3 The Freedom Bucket as an anti-liquidation device

The most important portfolio hedge may not be a negatively correlated security. It may be a lifestyle that does not require selling the Fun Bucket during a drawdown.

This links personal finance back to portfolio theory. The Freedom Bucket can lower the effective time pressure on the Fun Bucket, allowing the investor to evaluate business evidence over years rather than price action over days.

Chapter 18 – A Psychological Operating System

Several core principles in this framework can be developed into a repeatable process.

18.1 Do your own research

“DYOR” should not mean rejecting expertise. It should mean that every external view is converted into the investor’s own model:

- What assumptions are being made?
- Which facts are verified?
- Which conclusions are inference?
- What incentive does the source have?
- What evidence would contradict the claim?

18.2 Metrics are tools, not reality

Valuation multiples, moving averages, margins, addressable-market estimates, and macro indicators are useful precisely because they simplify. Their danger is the same: they simplify.

A metric should always be paired with its assumptions. A low P/E can reflect undervaluation or structural decline. A high growth rate can reflect a tiny base. A high rental yield can be compensation for vacancy or legal risk. A low volatility estimate can disappear when correlations rise.

18.3 Being wrong is part of the process

A forward-looking investor will be wrong repeatedly. The goal is not to eliminate wrong forecasts. It is to design a system in which:

1. errors are noticed;
2. losses do not threaten solvency;
3. the thesis can be updated without ego;
4. winners can compound enough to offset losers;
5. learning accumulates.

Principle 6 - Nothing personal.

A thesis is not a test of intelligence or identity. New evidence is allowed to win.

Chapter 19 – Putting the Whole Framework Together

The complete system can be summarized in nine steps.

1. **Define a satisfying annual lifestyle cost.** Do not begin with an asset.
2. **Create liquidity and resilience.** Reduce expensive debt and build enough runway to avoid forced selling.
3. **Calculate the Freedom Number.** Use a conservative, sustainable net yield or withdrawal assumption.
4. **Build the Freedom Bucket.** Optimize for reliability and agency rather than maximum upside.
5. **Set an explicit investment objective.** Specify starting capital, contributions, horizon, and target.
6. **Reverse-engineer the required return.** If it is unrealistic, change spending, contributions, time, or the goal before taking excessive risk.
7. **Use the Fun Bucket for asymmetric research.** Seek paradigm shifts, not fashionable labels.
8. **Write the bear case before buying.** Define thesis-breaking evidence and update it.
9. **Keep learning and remain solvent.** Uncertainty is permanent; survival is the precondition for compounding.

Chapter 20 – Conclusion: Money Has Two Jobs

The central insight of this framework is that money has at least two distinct jobs.

The first job is **freedom**: reduce dependence, preserve choice, finance a life that remains satisfying even when markets are unpleasant, and protect the investor from having to convert temporary volatility into permanent loss.

The second job is **ambition**: allow capital to participate in ideas about the future. This is where investing can be intellectually exciting. The Fun Bucket allows the investor to study paradigm shifts, form hypotheses, make concentrated judgments where justified, and benefit disproportionately when the world changes in a way the thesis anticipated.

These jobs should not be confused. When money required for basic freedom is used as speculative capital, every market decline becomes a threat to lifestyle. When all capital is optimized only for safety, the investor may lose the ability to participate meaningfully in transformative growth.

The Freedom Bucket and Fun Bucket are therefore not merely two accounts. They are two psychological contracts with capital.

Personal finance comes first because it creates the calmness required to think. A satisfying spending level reduces the capital hurdle. A sufficient runway reduces forced decisions. A clear objective makes return assumptions visible. A written thesis turns conviction into testable claims. A falsification rule makes it easier to admit error. And a separation between freedom capital and ambitious capital allows uncertainty to be experienced as part of the journey rather than as a permanent emergency.

The final discipline is simple: **be ambitious about the future, conservative about survival, and continuously willing to update what you believe.**

Appendix A – Freedom Bucket Worksheet

Step 1: Calculate the Happy Annual Spend

Category	Annual amount
Housing and utilities	
Food and household essentials	
Insurance and medical	
Transport	
Family obligations / education	
High-value discretionary spending	
Travel / hobbies	
Irregular repairs and replacements	
Taxes / professional costs	
Contingency buffer	
Happy Annual Spend, H	

Step 2: Choose a conservative income assumption

For each candidate Freedom asset, write:

- headline yield;
- recurring costs;
- tax;
- expected vacancy/default;
- inflation sensitivity;
- currency exposure;
- stress-case net yield.

Then calculate:

$$F = \frac{H}{y_{\text{stress}}}$$

Step 3: Add a margin of safety

A simple extension is:

$$F^* = \frac{H(1 + m)}{y_{\text{stress}}}$$

where m is a spending contingency margin.

Appendix B – Goal and Return Worksheet

Write the four inputs:

P_0 = starting capital, C = annual contribution, T = target capital, n = years

For end-of-year contributions:

$$T = P_0(1 + r)^n + C \left(\frac{(1 + r)^n - 1}{r} \right)$$

Then ask:

1. Is the required r plausible?
2. If not, which lever is cheapest to change: spending, contribution, time, or target?
3. What drawdown could I tolerate without changing lifestyle?
4. What portion of the target truly requires market return rather than savings?

Appendix C – One-Page Paradigm-Shift Thesis Template

Field	Research question
Problem	What is inefficient, expensive, slow, unavailable, or newly possible?
Enabling change	What technology, cost curve, regulation, or behavior changed?
Customer value	Why will anyone switch?
Productivity	What becomes cheaper, faster, safer, or more scalable?
Market readiness	Why now rather than five years ago or five years later?
TAM expansion	Does the solution merely take share or create new demand?
Moat	Network effect, switching costs, data, brand, capital, regulation, distribution?
Management	Evidence of adaptability and disciplined capital allocation?
Economics	Revenue model, gross margin, distribution cost, capital intensity?
Valuation	What growth and margin assumptions are already embedded in price?
10x path	What combination of revenue, margins, and valuation could produce 10x?
Bear case	What are the three strongest counterarguments?
Falsifiers	What observable evidence would make the thesis wrong?
Catalysts	What may cause the market to recognize the change?
Review date	When will the thesis be re-underwritten?

Appendix D – Thesis Update Journal

At each review date, answer:

1. What changed in the business?
2. What changed in the industry?
3. What changed in regulation?
4. What changed in valuation?
5. Which prior assumption was most wrong?
6. What new evidence is strongest against the thesis?
7. What new evidence is strongest for the thesis?
8. If I held cash instead of the position today, would I initiate it at the current price?
9. Has the expected upside increased or decreased?
10. Has the probability of permanent loss increased or decreased?

Appendix E – Glossary

Term	Meaning in this paper
Freedom Bucket	Capital primarily intended to support a chosen baseline lifestyle and protect financial agency.
Fun Bucket	Risk capital intended for ambitious, forward-looking investment opportunities.
Happy Annual Spend	The durable annual spending level at which the investor can live a satisfying life without unnecessary consumption.
Freedom Number	Capital required to support Happy Annual Spend under a chosen sustainable yield or withdrawal assumption.
Paradigm shift	A structural change in technology, behavior, cost, regulation, or infrastructure that changes how a function is performed.
Thesis falsifier	Observable evidence that materially contradicts the investment thesis.
CAGR	Compound annual growth rate.
Treasury bill	Short-term U.S. Treasury marketable security, commonly issued with maturities of one year or less.
Treasury note	Medium-term U.S. Treasury coupon security.
Treasury bond	Longer-term U.S. Treasury coupon security.
TIPS	Treasury Inflation-Protected Securities.
Primary dealer	A trading counterparty of the New York Fed with market-making and Treasury-auction expectations.
OMO	Open-market operation conducted by the Federal Reserve to implement monetary policy.
Bank reserves	Deposits held by eligible depository institutions at Federal Reserve Banks.
Stablecoin	A digital token designed to maintain stable value relative to a reference asset, commonly a fiat currency.
Tokenized fund	A traditional fund whose ownership record or transferable representation uses blockchain-integrated infrastructure.

Appendix F – Data Notes and Methodological Clarifications

1. **Required return:** with \$200,000 initial capital and \$60,000 contributed at each year-end, the five-year required annualized return to reach \$2 million is approximately 44.9%, rather than 57%.
2. **Treasury issuance:** gross issuance should not be labeled “new debt.” Gross issuance includes refinancing of maturing securities. Treasury reports about \$29.7 trillion of marketable issuance through 444 auctions in 2025, while total federal debt increased by about \$2.2 trillion during fiscal 2025.
3. **Primary dealers:** they are central to Treasury-market liquidity and are expected to bid in auctions, but they are not the exclusive purchasers of Treasury securities.
4. **Money creation:** U.S. government borrowing, Federal Reserve reserve creation, and commercial-bank deposit creation are distinct processes. The statement that government “cannot create money without debt” should therefore be replaced with the more precise institutional explanation in Part IV.
5. **Interest measures:** “net interest” in the federal budget is not identical to total interest expense on all federal debt. The paper uses CBO net-interest figures for budget ratios and GAO figures where total debt interest expense is discussed.
6. **Circle figures:** an earlier draft used 2022–2024 financials. The case study is updated with Circle’s 2025 Form 10-K and 2026 reserve disclosures.
7. **Stablecoin regulation:** the GENIUS Act is treated as enacted law as of July 18, 2025, with implementation details subject to continuing rulemaking and supervision.

Bibliography

- [1] Board of Governors of the Federal Reserve System (2026). *Report on the Economic Well-Being of U.S. Households in 2025 - Savings and Investments*. <https://www.federalreserve.gov/publications/2026-economic-well-being-of-us-households-in-2025-savings-investments.htm>
- [2] Morningstar (2025). *The State of Retirement Income: 2025*. Base-case starting safe withdrawal rate of 3.9% under stated assumptions. <https://www.morningstar.com/retirement/whats-safe-retirement-withdrawal-rate-2026>
- [3] Benartzi, S. and Thaler, R. H. (1995). "Myopic Loss Aversion and the Equity Premium Puzzle." *Quarterly Journal of Economics*, 110(1), 73–92.
- [4] Markowitz, H. (1952). "Portfolio Selection." *The Journal of Finance*, 7(1), 77–91.
- [5] FINRA (2022). *Concentrate on Concentration Risk*. <https://www.finra.org/investors/insights/concentration-risk>
- [6] U.S. Securities and Exchange Commission. *Beginners' Guide to Asset Allocation, Diversification, and Rebalancing*. <https://www.sec.gov/about/reports-publications/investorpubsassetallocationhtm>
- [7] McLeay, M., Radia, A., and Thomas, R. (2014). "Money Creation in the Modern Economy." *Bank of England Quarterly Bulletin*. <https://www.bankofengland.co.uk/quarterly-bulletin/2014/q1/money-creation-in-the-modern-economy>
- [8] Board of Governors of the Federal Reserve System (2023). Governor Philip N. Jefferson, remarks on implementation and transmission of monetary policy. <https://www.federalreserve.gov/newsevents/speech/jefferson20230327a.htm>
- [9] U.S. Department of the Treasury, TreasuryDirect (accessed 2026). *About Auctions / How Treasury Marketable Securities Work*. <https://treasuryauctions.gov/auctions/>
- [10] Federal Reserve Bank of New York (accessed 2026). *Primary Dealers*. <https://www.newyorkfed.org/markets/primarydealers>
- [11] U.S. Government Accountability Office (2026). *Financial Audit: Bureau of the Fiscal Service's FY 2025 and FY 2024 Schedules of Federal Debt* (GAO-26-107908).
- [12] Board of Governors of the Federal Reserve System. *Open Market Operations*. <https://www.federalreserve.gov/monetarypolicy/openmarket.htm>
- [13] Federal Reserve Bank of New York. *Treasury Securities*. <https://www.newyorkfed.org/markets/domestic-market-operations/monetary-policy-implementation/treasury-securities>
- [14] Congressional Budget Office (2026). *The Federal Budget in Fiscal Year 2025* and related infographics. Net interest costs approximately \$970 billion and 3.2% of GDP.

- [15] Board of Governors of the Federal Reserve System (2026). *Federal Reserve Banks Combined Financial Statements 2025*.
- [16] Board of Governors of the Federal Reserve System (2026). *Monetary Policy Report, July 2026*.
- [17] The White House (2025). *The President Signed into Law S. 1582 - Guiding and Establishing National Innovation for U.S. Stablecoins Act*. July 18, 2025.
- [18] U.S. Department of the Treasury (2025). *Report to the Secretary of the Treasury from the Treasury Borrowing Advisory Committee*. Discussion of GENIUS Act reserve requirements and potential Treasury-bill demand.
- [19] U.S. Department of the Treasury, Treasury Borrowing Advisory Committee (2025). *What are the Potential Consequences of Stablecoin Growth on the Treasury Market?* Estimated stablecoin issuers held more than \$120 billion in T-bills and analyzed potential incremental demand.
- [20] U.S. Department of the Treasury, Treasury Borrowing Advisory Committee (2026). Presentation on increasing stablecoin footprint and short-dated Treasury demand.
- [21] Circle (2026). *Transparency & Stability* and USDC reserve disclosures. <https://www.circle.com/transparency>
- [22] Circle Internet Group, Inc. (2026). *Form 10-K for the year ended December 31, 2025*. U.S. Securities and Exchange Commission.
- [23] Franklin Templeton (2026). *Franklin OnChain U.S. Government Money Fund (FOBXX)*. Fund description and June 2026 net assets. <https://www.franklintempleton.com/investments/options/money-market-funds/products/29386/SINGLCLASS/franklin-on-chain-u-s-government-money-fund/FOBXX>
- [24] BlackRock (2026). *Larry Fink's 2026 Chairman's Letter to Investors*. Discussion of tokenized funds and stablecoin reserves.

Disclaimer

Publication and copyright notice. © 2026 Zerion Research. All rights reserved. This publication and related Zerion Research materials are protected by copyright and other applicable intellectual-property laws. No part of this publication may be reproduced, distributed, modified, published, transmitted, displayed, or used for commercial purposes without prior written permission, except for brief quotations with proper attribution or other uses permitted by law.

Informational, educational, and research purposes only. This publication is provided solely for informational, educational, and research purposes. It presents a conceptual framework for personal finance, financial resilience, portfolio objectives, asymmetric investing, paradigm-shift research, and decision-making under uncertainty. It is not tailored to the financial circumstances, objectives, risk tolerance, tax position, legal status, liquidity needs, time horizon, or other circumstances of any particular person or institution.

No investment, financial, legal, tax, or accounting advice. Nothing in this publication constitutes investment advice, financial advice, trading advice, legal advice, tax advice, accounting advice, fiduciary guidance, or professional advice of any kind. Nothing in this publication creates an adviser-client, fiduciary, attorney-client, accountant-client, or other professional relationship. Readers should not rely on this publication as a substitute for independent judgment, due diligence, or consultation with appropriately qualified professional advisers.

Not a recommendation, offer, or solicitation. This publication does not constitute an offer, solicitation, invitation, endorsement, or recommendation to buy, sell, subscribe for, hold, short, finance, borrow against, or otherwise transact in any security, digital asset, stablecoin, commodity, currency, fund, derivative, bond, real property, private investment, or other financial instrument or asset. References to companies, securities, protocols, assets, industries, jurisdictions, products, or market themes are provided for analytical and educational context only.

Illustrative frameworks, assumptions, and examples. The Freedom Bucket, Fun Bucket, Freedom Number, Happy Annual Spend, withdrawal-rate examples, required-return calculations, CAGR tables, portfolio allocations, scenario analyses, and other numerical examples are illustrative analytical tools. They are not prescriptions or forecasts. In particular, references to a 4% withdrawal rate, a 25x spending multiple, a 5% net property yield, or any other yield, return, growth, valuation, or income assumption should not be interpreted as an assurance that such outcomes are available, sustainable, suitable, or achievable. Actual results depend on asset prices, inflation, taxes, fees, financing, liquidity, currency movements, operating costs, market conditions, sequence of returns, personal circumstances, and other factors.

No valuation model, price prediction, or performance guarantee. The analytical concepts used in this paper, including first-principles analysis, paradigm-shift research, inversion, thesis falsification, scenario analysis, and the 10x opportunity lens, are research tools. They are not standalone valuation models, trading systems, market-timing tools, price-prediction systems, or guarantees of future returns. A credible pathway to a particular multiple is not a statement of probability and does not imply that the outcome will occur. Past performance, historical examples, and retrospective case studies are not indicative of future results.

Forward-looking statements and uncertainty. This publication contains forward-looking ideas, assumptions,

scenarios, and discussions concerning matters such as paradigm shifts, technological adoption, monetary systems, regulation, market expansion, capital migration, business performance, interest rates, stablecoins, tokenization, and potential investment outcomes. These matters are inherently uncertain. Assumptions may prove incorrect, catalysts may not occur, and actual outcomes may differ materially from any illustrative scenario or analytical expectation. Forward-looking statements should be understood as hypotheses to be tested rather than predictions to be relied upon.

Risk of loss. Investing involves substantial risk, including volatility, illiquidity, loss of income, permanent impairment of capital, and the possible loss of all capital invested. Concentrated, leveraged, early-stage, frontier-market, high-growth, private-market, digital-asset, derivative, and paradigm-shift strategies may involve heightened risk. An investor may be correct about a long-term theme and still suffer losses because of timing, valuation, financing, dilution, regulation, competition, execution, liquidity, or an inability to remain invested.

Real-estate and income-asset risks. Property and other income-producing assets are subject to market risk, vacancy, tenant risk, maintenance and capital-expenditure requirements, management costs, taxes, insurance, financing costs, refinancing risk, interest-rate risk, legal and regulatory changes, transaction costs, geographic concentration, natural events, and currency risk. Gross rental yield and net rental yield are materially different. No property-market example in this publication should be read as a representation that a stated net yield can be achieved or maintained.

Fixed-income, Treasury, and interest-rate risks. Bonds and Treasury securities may be subject to interest-rate risk, duration risk, inflation risk, reinvestment risk, liquidity risk, market-price volatility, and, depending on the instrument, credit or counterparty risk. Descriptions of U.S. Treasury issuance, Federal Reserve operations, primary dealers, money creation, or fiscal and monetary mechanisms are intended to explain institutional relationships and do not constitute a forecast of interest rates, inflation, currency values, government policy, or bond returns.

Digital assets, stablecoins, and emerging-technology risks. Digital assets, blockchain networks, stablecoins, tokenized securities, and related companies may be highly volatile and are exposed to regulatory change, technological failure, cyber risk, smart-contract risk, custody risk, counterparty risk, reserve risk, liquidity risk, market-structure risk, operational failure, governance risk, depegging, fraud, and rapid competitive change. Regulatory treatment varies by jurisdiction and may change materially. References to USDC, Circle, tokenized Treasury products, or other digital-asset infrastructure are analytical examples and are not endorsements or assurances of safety, stability, liquidity, or investment merit.

Legal, tax, regulatory, and jurisdictional differences. Laws, tax rules, securities regulations, property rules, banking rules, and digital-asset regulations vary across jurisdictions and may change without notice. The treatment of any transaction or investment may depend on residence, citizenship, domicile, entity structure, source of funds, asset location, and other facts. Readers are responsible for obtaining advice appropriate to their own jurisdiction and circumstances.

Source limitations and data accuracy. Zerion Research seeks to use sources believed to be relevant and reliable, including primary and official sources where practicable. Nevertheless, no representation or warranty is made as to the accuracy, completeness, timeliness, consistency, or continued availability of any third-party information. Public data may be revised, restated, delayed, moved, withdrawn, superseded, or interpreted differently by other researchers. Calculations may depend on definitions that differ across sources. Readers

should verify material facts and primary-source data independently before making decisions.

No duty to update. Information reflects the publication date unless otherwise stated. Zerion Research and the author may revise views, assumptions, frameworks, calculations, examples, or conclusions as new evidence becomes available, but undertake no obligation to update this publication, correct it after publication, or notify readers of subsequent changes in facts, markets, law, regulation, data, or opinion.

Potential interests and conflicts. Zerion Research, the author, and persons associated with them may from time to time hold, acquire, dispose of, or otherwise have an economic interest in securities, digital assets, companies, industries, or themes discussed in Zerion Research publications. Such interests may change without notice. The existence of a discussion, favorable or unfavorable view, case study, or analytical example should not be interpreted as a statement that no such interest exists. Readers should evaluate the analysis independently rather than rely on presumed neutrality of economic exposure.

Third-party names, trademarks, and no affiliation. Company names, product names, trademarks, service marks, indices, protocols, regulators, institutions, and other third-party references belong to their respective owners. Unless expressly stated, Zerion Research and the author are not affiliated with, sponsored by, endorsed by, or acting on behalf of any company, issuer, regulator, government body, financial institution, index provider, asset manager, publisher, or other third party referenced in this publication.

Reader responsibility and limitation of reliance. Readers are solely responsible for their own research, decisions, portfolio construction, position sizing, liquidity planning, risk management, and compliance with applicable laws and regulations. Before making any investment, borrowing, property, business, legal, tax, accounting, or financial decision, readers should conduct independent due diligence and consult qualified advisers where appropriate. To the fullest extent permitted by applicable law, Zerion Research and the author disclaim liability for losses, damages, costs, or consequences arising from reliance on, use of, or inability to use this publication or information referenced in it.

Closing principle - Alignment Over Force.

The purpose of this framework is not to create certainty where none exists. It is to improve judgment: define what financial freedom means, understand the system beneath an investment thesis, seek asymmetric opportunity, identify how the thesis can fail, and update when reality changes. Research should serve decision-making; it should never become a reason to force reality to fit a preferred conclusion.

Prepared September 2026. Public-source data may change after the publication date.

Zerion Research | Alignment Over Force