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**BANKING & FINANCIAL SERVICES**

# To buy or not to buy? Tips to navigate South Florida's growing cryptocurrency craze



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After playing host to a two-day event billed as the “world’s largest” Bitcoin conference, South Florida is closer to

solidifying its status as a major hub in the U.S. for cryptocurrency and its devoted followers.

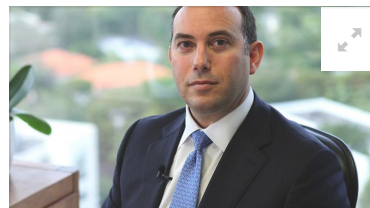
The region's businesses are increasingly opting to cash in on the mounting trend. Hotels, nightclubs, e-payment platforms, and even real estate developers in the tri-county area have begun accepting digital currencies as forms of payment for goods, services and property.

The phenomenon taking place locally extends past our city limits. An April report released by New York-based crypto exchange platform Gemini estimated 21.2 million U.S. adults, or 14% of the population, already own crypto. About 19.3 million adults, or roughly 13% of the population, said they plan to purchase crypto in the next 12 months.

But coupled with fast-growing popularity and the potential to acquire massive wealth over a short period is the enormous risk posed by hastily buying into digital assets without proper research, experts say.

Jeffrey B. Kaplan, a founding partner and shareholder of Miami-based law firm Dimond Kaplan & Rothstein, P.A., said all investors – from small business owners to ultra-high-net-worth individuals – should be wary of sensationalized first-hand accounts and news reports that have contributed to crypto's status as one of the latest investment crazes to hit the market over the years.

“What is much less publicized [than the success stories] is the carnage left behind when investors make the wrong decision, invest too much of their net worth, or invest with a fraudulent entity, thinking it's legitimate,” Kaplan says. “The human interest in increasing one's wealth is so powerful that it often causes investors to overlook or ignore warning signs and sound investment strategies.”



Jeffrey B. Kaplan, founding partner  
and shareholder of Miami-based  
law firm Dimond Kaplan &  
Rothstein, P.A.

Kaplan, whose practice has helped recover more than \$200 million for victims of securities fraud and stockbroker misconduct, shared a few tips with the *Business Journal* about how to protect yourself when dealing with speculative investments such as crypto:

### **Avoid the pitfalls of FOMO (Fear of Missing Out)**

Peer pressure and the promise of sky-high returns on investments can convince even knowledgeable investors to put up excessive percentages of their assets, Kaplan says.

Although digital currency is still a new frontier, it holds many of the same rules as stocks, bonds, or mutual funds when it comes to investing: don't put in more than you can afford to lose, understand what you're investing in, and make sure you're conducting business with a reputable entity.

Whether you're a high-level executive with millions of dollars on the line, or an entrepreneur with limited assets, it's better to err on the side of caution.

### **Stay on high alert for fraudsters**

In a region such as South Florida that is already prone to fraud, the ability to weed out fake enterprises posing as legitimate companies is critical when diving into the vastly unregulated world of crypto. There are thousands of different types of cryptocurrencies available on the internet, and while many may be credible, others could be ruses.

Data released by the Federal Trade Commission last month showed that nearly 7,000 people reported losses of more than \$80 million on crypto scams from Oct. 1, 2020, through March 31, 2021. That's about 12 times the number

of reports submitted over the same period the year before, with a 1,000% increase in reported losses.

South Florida has already seen a number of such plots to defraud crypto investors. In 2019, the owners of a Palm Beach-based digital currency company were arrested for a \$30 million diamond and crypto Ponzi scheme that allegedly targeted hundreds of investors.

Kaplan says doing research from the forefront to ensure that you're dealing with upstanding individuals and platforms will give you a major leg up if things go south, especially if you decide to take legal action.

“There are so many startup companies in the crypto world,” he says. “If you do want to get into it, you have to be particularly careful choosing the entity with whom you do that business. If they do wrong by you – whether it’s because they literally have no money, or maybe they hide their money overseas or in various shell companies – there needs to be recourse.”

### **Screen all recommendations – even ones from your own financial professional**

While the vast majority of financial brokers and registered investment advisers (RIAs) are “legitimate, honest and reasonable,” it’s still important for investors to practice discernment when considering professional guidance on buying crypto, Kaplan says.

Professionals in the financial services industry can be a great asset when managing your investments, but it’s always necessary to use common sense and question the concepts you don’t understand.

“I think investors are generally justified in believing what a professional tells them, but some professionals may not understand these types of investments enough, or may just be ignorant to fundamental investment standards that should be adhered to,” Kaplan says. “It’s incumbent upon investors to listen carefully to recommendations made to

them and to do a little bit of homework as a matter of self preservation.”

### **Take advantage of online investor education tools**

While it can be difficult to know where to begin your crypto education, there are luckily many free tools online that break down misinformation, confusing jargon and different investment risks.

Kaplan recommends first turning to government agencies or self-regulatory organizations such as the U.S. Securities and Exchange Commission or the Financial Industry Regulatory Authority for the most objective information and guidance.

“[Researching crypto] can be daunting, and if you don’t understand the terminology, you may not even understand what you’re reading,” he says. “But there are some pretty common usage terms that you can find online to get adequate and reasonable explanations of a lot of these issues. With not that much research, investors can learn a lot. They should take advantage of the massive amount of information online.”

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