

**'New Money': My #1 Way
to use 'New Money' to
beat the traditional
financial system**



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'New Money': My #1 Way to use 'New Money' to beat the traditional financial system

By Sam Volkering, Editor, *Frontier Tech Investor*

I remember when I was a kid in Australia and the Commonwealth Bank decided to start a marketing drive to get kids saving.

You opened what was called a Dollarmite account and you got all these cool little Dollarmite things, a little Dollarmite deposit book, a Dollarmite “piggy bank” and some other Dollarmite paraphernalia.

The “Dollarmites” were just some weird little cartoon aliens the bank created to make saving fun. It worked.

You can see what the original Dollarmites looked like in a “Throwback Thursday” tweet from the Commonwealth Bank back in 2014 here:



Source: [@CommBank](#) on Twitter

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I used to fill my Dollarmite “piggy bank” with coins I picked up from chores, from when my grandparents decided to flick me a buck or two, or whenever I could.

We’d then take it down to the tellers at the Brandon Park Commonwealth Bank branch, get my little deposit book out, fill it in and put that money into my savings account.

It was fun. And back then in the ‘80s and ‘90s I could actually earn interest on my little kid’s cash savings. Maybe that was part of the appeal too, learning how your cash can work for you earning interest.

Learning about the simple basics of compounding interest is something that forms the basis of financial knowledge.

Today however, there’s a bit of a problem with it all.

You see I’ve got a child savings account for my son. But it’s rubbish. For a start, where are the weird little alien savers and cool “piggy banks” for him? They’re non-existent – because they probably cost too much for the banks to make now.

Also, there’s no such thing as compound interest for his cash savings. It’s not that compound interest doesn’t exist anymore. It’s just that there’s virtually no interest to compound.

Or whatever slither of interest he does get is more than eroded by inflation. Hence, there is absolutely no point whatsoever for my son to save cash.

For example, his child “saver” account earns 1.44% up to £5,000 and then 0.01% on anything over. It’s simply not worth the effort. Meanwhile, a normal adult “savings” account earns 0.01% on any balance.

What a joke.

Now, that means that every bit of savings for him for the next 17 years is going into investments instead. A mix of crypto and stocks. No cash savings from the bank.

However, he’s lucky enough that his grandparents slide a little bit of cash his way each month. It’s not much, but it’s *absolutely* better than nothing. I’d prefer them to slide him BTC but, they’re not quite up to speed on crypto (yet).

The problem is that the cash they slide to him, is facing the same dilemma as everyone else’s cash. It’s being devalued at great speed by loose and reckless central banks and the “traditional” financial system.

However... there’s a way that he, and importantly *you*, can achieve the high-interest savings of eras gone by – in fact, it’s as much as 12% annualised percentage yield (APY) if you know where to get it and how to use it.

12% return on your “cash”?

In the later stages of 2020, I was testing out a new part of the “DeFi” (decentralised finance) craze that’s now gripping both the crypto markets and the world.

I call it a craze, but I’m really talking about the construction of a whole new, alternative financial system decentralised from the centralised controls of government and central banks.

I opened an account with a crypto savings and loan platform, YouHodler.

You can find its site at youhodler.com.

I opened an account, because it has crypto savings accounts that return up to 12% APY on stablecoins.

“Stablecoins” are cryptocurrencies that are pegged in some way to “stable” fiat money. For example, the USDC crypto is 1-for-1 pegged (and backed) by the US dollar. That means, US\$1,000 is the same as 1,000 USDC.

If you hold, USDT, USDC, PAX, TUSD, DAI, HUSD or EURS stablecoins in a YouHodler wallet you will achieve an interest return of 12% APY.

At first, I thought there’s no way this can be true.

Then I dug deeper. I asked questions directly to YouHolder about how it can offer such a high rate on stablecoins.

The reason is that it also offers crypto loans. Obviously, the repayment rates on its crypto loans are considerably higher than what it’s able to deliver to savers. I asked YouHodler directly what risks are involved in sitting some savings in a stablecoin account.

Here’s what I asked:

Hi, question on risk. Let’s say I put \$10,000 into a stablecoin deposit account to earn the 12% APY. What’s the primary risk there? Is it third-party risk with the ongoing operation of YouHodler? What are the other risks in earning that 12% APY?

Here’s the response:

Hello! There is no such risks. All funds are secured and insured.

I wanted more clarification:

Is there any risk then in earning that 12% APY? Can you explain simply how I can get 12%? Is it due to the high interest costs of the loans I assume?

And the response:

The reason why we can provide such Savings interest rates is our loan/savings model. We use Savings assets as a part of our own liquidity pool to provide loans. At the same time, the profit from loans allows refreshing the liquidity pool as well. So the balance between these two products allows us to have the terms that you can see in our platform.

I also wanted to check up on how safe funds were on the platform. Which is where I found they're insured. In fact, they're part of Ledger Vault's pooled \$150 million crime insurance crypto-asset programme led by Arch UK Lloyd's of London.

YouHodler explains,

The insurance covers different risks, including risks of employee theft caused by collusion and third-party theft of private keys/master seed in the event of a physical breach of hardware security.

I also clarified with YouHodler what happens if its platform goes bust and if this insurance cover people with assets in the savings account. Its reply:

Yes, our insurance program covers such cases.

And for balances over \$10,000 it even offers three-factor security:

Owners of accounts with balances over 10,000 USD (or its equivalent in any fiat or cryptocurrency) can request to disable all withdrawal options. All other features will still be available.

We will enable withdrawal only by the account owners' requests and additional personal verification of the identity.

In other words, this is one of the most transparent, and on the face of it secure, ways to store crypto cash savings, and earn a crazy high interest rate.

Here's an *example* of what that might look like comparing savings in a traditional account with savings for a child, in what I'm now calling the new "crypto Dollarmite" account.

Let's say you start with \$1,000 and add just \$50 a month for 16 years.

That monthly amount is not indexed to inflation and interest compounds annually at 0.01% in a traditional account.

At the end of 16 years you'd end up with \$10,608.36 earning a whopping \$8.36 in interest.

No thanks.

Meanwhile, let's say you hold 1,000 USDC adding 50 USDC a month for 16 years. That monthly amount is not indexed to inflation and interest compounds *weekly* (which YouHodler wallets do) at 12% in a new "crypto Dollarmite" account.

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At the end of 16 years you'd end up with \$35,947.29 earning a *whopping* \$25,347.29 in interest.

Now that's how compound interest is supposed to work!

The difference between the useless traditional savings accounts and the new breed of crypto savings works out at \$25,338.93 – or in other words ***3,031-times more interest (gross)*** than a traditional account.

Of course, traditional accounts have protections in place from risks such as your bank going bust. These protections provided by the FSCS and Financial Ombudsman *aren't available when it comes to crypto savings.*

Again, that's why YouHodler is looking to build trust and reputation by putting in place insurance provisions as it has done with Ledger Vault.

Now I will add there's a couple of things to consider here. For a start we're talking about stablecoins. These are pegged to fiat money, so there's erosion in value over time anyway through inflation. However, 12% outstrips inflation by a country mile – for now.

Also, when converting from fiat money into the stablecoin, you'll end up losing a couple of percent on the deposits and conversion, sometimes as much as 3%, sometimes less.

However, even if you knocked off 3%, you're still looking at recouping that and then some pretty damn quickly from each deposit.

YouHodler also has an upper limit of \$100,000 that you can earn the 12% interest on. So if you're loaded and wanted to try this out, that's something you should be aware of.

In short, I think you should be considering using these crypto savings accounts for funds that you want to hold long term in stablecoins, that you don't want to see eroded in a traditional bank account with next to no interest return.

I will also add, that even though there are considerable measures in place for the security of your funds on a platform like YouHodler, ***it's still early days for these platforms.***

I've been testing it out with a few hundred dollars' worth of stablecoin, and so far, so good.

However, you still need to be aware of the risks as we've outlined. And as I suggest with all crypto projects, crypto investments, or anything new in the crypto space, *start small, build confidence and then go from there.*

Hence, this isn't something I think you should be dumping your life savings into. You and only you will be able to assess how much you feel comfortable using and holding in a wallet like YouHodler offers.

Also, YouHodler has other aspects of its platform including loans and structured, layered loans – all stuff that I will continue to explore, but right now I don't believe that is the best way to go as I'm not a fan of using leverage on crypto assets anyway.

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Nevertheless, if you've got some savings you're sick of seeing dwindle away in a bank account, and you understand the risks of a new, alternative crypto system, then perhaps you should be exploring YouHolder, getting used to how it works, the fees involved and deciding if it's right for some of your "crypto savings".

It's perhaps the most exciting development we've ever seen in DeFi – and for that matter, global finance – for some time.

The only considerable risks involved in earning 12% APY on stablecoin savings are the costs of converting fiat money into stablecoins, and an element of third-party risk as your funds are still on the YouHodler platform.

A lot of the third-party risk is mitigated with the insurance through Ledger Vault. However, in the event of needing to claim, there's no defined time as to how long it may take to recoup your funds.

Again, because this is all new, and different from the kinds of traditional savings accounts we're used to, it's prudent to ease into these things.

Aside from that, as I say, they're transparent, accessible, insured, use appropriate custody and for me – an absolute must when building crypto wealth.

You can ask YouHodler questions on the site and the team will respond quickly to address any concerns and you can maintain transcripts of your previous chats with them.

YouHodler is a fast and easy way to earn from the decentralised finance boom.

The only problem is not enough people know about it. But now you do.

Regards,

A handwritten signature in black ink, appearing to read 'Sam Volkering', with a long horizontal line extending to the right.

Sam Volkering
Editor, *Frontier Tech Investor*