



*Happy Valentine's Day*

Mesmer & Deleault, PLLC  
41 Brook Street, Manchester, NH 03104  
Seacoast Office: One New Hampshire Ave., Suite 125  
Portsmouth, NH 03801



## *"Tip of the Month"*

### **Estate Planning for Your Cryptocurrency**

Most people know of a cryptocurrency called Bitcoin, but Bitcoin is not the only one. Cryptocurrency is like money, but the investment is out on the internet. How do you pass down these assets in your estate plan?

The IRS says cryptocurrency is personal property, not currency, for tax purposes. Despite its tax treatment, cryptocurrency is highly secure digital currency that uses blockchain technology to create a decentralized, fixed, public digital ledger that can grow in value over time.

A blockchain is a database that stores "blocks" of information. Blocks are records of information bundled together. Each block has a unique "hash" code that connects blocks together in a specific order. If a block is altered, the hash is changed. The computing power required to recode the hashes and restore the chain prevents hacking. The blockchain is shared across a network of independent computers, which update and maintain a complete and uncorrupted record.

As personal property, cryptocurrency can be transferred at death through an estate plan, such as a will or trust. For privacy, cryptocurrency is better administered through a trust to avoid probate, which is a public record. Probate would be needed to administer a will.

For cryptocurrencies to pass to a beneficiary, they must be both legally transferred and technologically accessible. To access or transfer cryptocurrency, you must use your private "key" or "seed phrase." This is a randomly generated list of 12 words that is statistically impossible to guess or force. Keeping track of this key is critical. If the key is lost, the underlying asset might never be retrieved or recovered.

In 2019, New Hampshire's adopted the Revised Uniform Fiduciary Access to Digital Asset Act (RUFADAA). This established the rules for digital accounts. Wills, trusts, and powers of attorney should refer to RUFADAA so fiduciaries can have access to the digital assets in the estate.

So, if your investments include cryptocurrency, be sure your estate plan includes information such as login, passwords, and two-step authentication information for your online service provider cryptocurrency exchanges, and your private keys and seed phrases, or where to find this information.

If you or someone you know needs assistance with estate planning or you have questions about cryptocurrency, contact the attorneys at Mesmer & Deleault at (603) 668-1971 or by email at [mailbox@biz-patlaw.com](mailto:mailbox@biz-patlaw.com).

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Frank B. Mesmer, Jr.  
Robert R. Deleault



**(603) 668-1971**

Fax (603) 622-1445

E-mail: [mailbox@biz-patlaw.com](mailto:mailbox@biz-patlaw.com)

Website: [www.biz-patlaw.com](http://www.biz-patlaw.com)