CRYPTO EXPLAINED

THE ENTREPRENEUR'S GUIDE TO SUCCEEDING IN THE NEW WORLD OF CRYPTOCURRENCY

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Introduction

Cryptocurrency is an online form of payment that can be traded for goods or services, just like fiat money (government issued currency).

There are many companies who have created their own tokens which can be traded for their own goods and services, so there are certainly a lot of cryptocurrencies out there—nearly 7,000 according to CoinMarketCap.com, a market research website!

According to Investopedia.com, the "crypto" in cryptocurrency refers to "complicated cryptography which allows for the creation and processing of digital currencies and their transactions across decentralized systems."

Cryptocurrencies are usually developed by teams who build in various mechanisms for issuance, usually depending on that decentralized system.

Cryptocurrencies work by using something called *blockchain*, which is a decentralized technology that is spread across a great many different computers and records and manages transactions.

It's very secure because it's not all in one central location, and once a transaction is chained, it's recorded for posterity.

Entrepreneurs have begun to utilize cryptocurrency to further their business and increase profits. In fact, since cryptocurrencies are both investment opportunities and new financial instruments, there has never been a better time to get started!

Are you ready to dive into the exciting and profitable world of cryptocurrency and blockchain?

Let's begin!

How Cryptocurrency Works

The most popular cryptocurrency is the Bitcoin. Cryptocurrencies modeled after this one are often called “altcoins” and are often less secure than the Bitcoin.

Bitcoin was created in 2009 (at present, nobody knows exactly who created it). Investopedia says it offers “lower transaction fees than traditional online payment mechanisms and, unlike government-issued currencies, it is operated by a decentralized agency.”

There aren’t any physical Bitcoins you can see or touch. Instead, there is a totally public ledger that everybody on Earth has access to. Bitcoins aren’t issued or backed by any government or bank, and individual Bitcoins aren’t valuable as a commodity.

All Bitcoin transactions are verified by a huge amount of computing power, though. The system consists of a collection of

computers, referred to as “nodes” or “miners,” that all run the Bitcoin code and store the blockchain record of all transactions.

Since every computer running this blockchain has the same lists of blocks and transactions, and everyone can see the new blocks being filled, it’s almost impossible to cheat the system.

As of January, 2021, Bitcoin has around 12,000 different nodes (and that number is growing), so such an attack is highly unlikely.

Even if it did occur, the Bitcoin miners (the actual people involved in the Bitcoin network with their computers) would notice the change and simply “fork” to a new blockchain and make the whole attack a waste of time.

Bitcoin mining is the process by which the bitcoins are released into circulation. Investopedia explains that this mining “requires the solving of computationally difficult puzzles to discover a new block, which is added to the blockchain.”

When a new block is added, miners are rewarded with a few Bitcoins. This reward is halved after every 210,000 blocks, so the 50 Bitcoin reward in 2009 is now down to 6.25 Bitcoins.

You can use a variety of different hardware to mine Bitcoins. Some will get you better results, of course, and these are called "mining rigs."

For example, certain computer chips (Application-Specific Integrated Circuits, or ASIC) and more advanced processing units (like Graphic Processing Units or GPU) will yield higher rewards than other systems.

One Bitcoin can be divided into eight decimal places. The smallest unit is called a Satoshi (0.00000001 of a Bitcoin) because the mysterious entity who created the Bitcoin used the pseudonym Satoshi Nakamoto. If participating miners agree, the Bitcoin may be divided even further in the future.

Bitcoin can be used as a means of payment for products or services. Physical stores can accept Bitcoin in lieu of fiat money—transactions would be handled with a special terminal or with QR codes and touch screen apps.

An online business can easily accept Bitcoins along with its other online payment options like credit cards or PayPal. There are also job-site websites that will hook up prospective employees with employers who pay in Bitcoin, like Cryptogrind, Coinality, or Bitwage.

Many Bitcoin supporters feel that digital currency will become the norm in the future. In 2014, the IRS proclaimed that all virtual currencies, including Bitcoins, would be taxed as property instead of currency. This means that gains or losses from Bitcoins held as capital will be realized as capital gains or losses, while those held as inventory will incur ordinary gains or losses.

To purchase cryptocurrency like Bitcoins, you will need an online "wallet," an app that can hold your investments. Usually, you create an account with an exchange, and then you can transfer fiat money into cryptocurrencies.

One popular trading exchange is Coinbase, which allows you to create a wallet and buy and sell cryptocurrencies.

What You Need to Know: The Risks

While cryptocurrency opens the doors to countless investment and financial instruments, because of the lack of guaranteed value, as well as its digital nature, there are risks involved that you should know about before you get started.

Barry Sibert, CEO of Digital Currency Group (which builds and invests in Bitcoins and blockchain companies) says “It is pretty much the highest-risk, highest-return investment that you can possibly make.”

Here are some of the risks you can incur:

Regulatory Risks: Bitcoins are a digital rival to government currency and, thus, may be used for illegal activities, black market transactions, money laundering, or tax evasion.

Governments, therefore, might seek to regulate, restrict, or ban the use of such currency (some already have). Other governments are coming up with various rules concerning cryptocurrency.

Security Risks: Most people who own and use Bitcoins have obtained their currency through any of many popular online markets, called Bitcoin exchanges. These are entirely digital, so as with any other virtual system, are at risk from hackers, malware, and even operational glitches.

Hackers may target these exchanges and gain access to thousands of accounts and digital "wallets" where Bitcoins are stored.

Users can only prevent these risks by storing their currency on a computer not connected to the internet or by choosing to use a "paper wallet" where they print out the Bitcoin private keys and addresses without keeping them in a computer at all.

Insurance Risk: Currently, cryptocurrency exchanges and accounts are not insured by any federal or government program.

In 2019, one dealer and trading platform (SFOX) did announce they'd provide Bitcoin investors with FDIC insurance, but only for those transactions involving cash.

Fraud Risk: Bitcoin does use private-key encryption to verify owners and register transactions, but scammers might try to sell fake Bitcoins. There have also been documented cases of price manipulation, which is another common form of fraud.

Market Risk: As with any other investment, Bitcoin prices can fluctuate. In fact, Bitcoin value has seen wild swings since 2009.

There is also plenty of competition for Bitcoin, and a technical breakthrough in the form of a better virtual coin is always a threat.

If you're looking to invest in cryptocurrency in an ICO (Initial Coin Offering), you should ask yourself the following questions:

- Who owns the company? Is it a recognizable name or an identifiable owner?

- Are there other major investors already in?

- Will you own a stake in the company or just currency or tokens? The former means you're an actual owner in the company, while the latter just gives you cryptocurrency to buy or sell.

- Is the currency already developed or is the company trying to raise money to develop it? The further along the product is, the less risky it will be.

Cryptocurrency for Entrepreneurs

Every digital currency on the market can be classified as one of five types. The distinctions between them are important because they tell you what exactly you're investing in and who can invest in them.

Coins vs Tokens: This is the biggest distinction between cryptocurrencies. Each digital currency must be one or the other, and here's the difference—coins have their own blockchain and tokens don't.

A blockchain is a decentralized, peer-to-peer network that records transactions on a digital ledger.

Most of the big-name currencies are coins.

On the other hand, tokens must be created from a blockchain already in existence like Ethereum. Their protocol exists on top of that blockchain.

Coins function as currency; tokens represent access to “stock” or a product. The value of a token is a little complicated, too.

Tokens are usually released in Initial Coin Offerings (ICOs), which give the investor access to tokenized services or products, or represent a stake in a cryptocurrency company.

Tokens also fall under different SEC regulations depending on whether they represent a utility or a security.

Utility Tokens vs Security Tokens: It’s almost essential that an entrepreneur understand the difference between these two types of cryptocurrency.

The SEC has much stricter regulations for security tokens than it does for utility.

This is because the former, as the name says, act as digital securities.

If you can buy or trade a token on a cryptocurrency exchange without being an accredited investor, then it's a utility token.

In the most basic terms, a utility token gives an investor access to a product or service. It can represent a discounted rate or early/exclusive access.

If you're looking at Smart Contracts or DApps, you're looking at utility tokens.

Security tokens are different. They're securities that exist on a blockchain and represent part-ownership in a real-world, tradeable asset that is external to that blockchain.

Because they're regulated by the SEC like securities, you must be an accredited investor to trade them. The SEC decides which tokens are security tokens by determining whether or not an investor will make money based on a third party's labor.

Stablecoins: Distinctions between the different types of cryptocurrency can be a little obscure. Some companies will try to pass off their security tokens as utility tokens.

And then there's the debate over whether or not tokens can represent currency (like coins) rather than just access to a service.

To make things even more confusing, stablecoins are often technically "stabletokens." Stablecoins are a type of cryptocurrency that is "pegged" to traditional assets like government-backed currency or gold.

The advantage with this is that during a “bear” market, investors can move their money from volatile cryptocurrencies to stablecoins (which are theoretically more stable) instead of converting back and forth to USD, which will involve transaction fees.

Then, during a “bull” market, the investor can convert the stablecoins back into more volatile cryptocurrency without much of a cost.

Despite being called coins, however, most stablecoins are actually tokens because they don’t have their own blockchains.

Why should you care whether something is a coin, a token, a security or a utility?

As a potential investor, you need to know the value of the cryptocurrency you’re considering and how current and future SEC regulations will affect it.

And the distinction between coins and tokens marks the two forks in cryptocurrency's evolution: cryptocurrency as a payment method and as a tokenized security.

The question is: can cryptocurrency replace the US dollar or the stock market—or both?

How Cryptocurrency Can Help Entrepreneurs

Blockchain technology is a once-in-a-lifetime invention. Cryptocurrency has revolutionized the way we buy and sell, raise capital, and invest our savings.

Here are some ways it can help you:

Raising Capital:

Using Initial Coin Offerings (ICOs), startup companies worldwide can raise money quickly (and inexpensively) from a huge pool of global investors rather than trying to locate locals who might be interested.

And the valuation of your company is reflected in the market practically at once, unlike the long, laborious process it once took.

You can issue shares as tokens and they become tradable almost instantly, giving your company the liquidity it needs to start. This new cryptocurrency approach allows the best technical talents to build their companies at a great rate of speed.

Transacting Value:

Cryptocurrency lets a company transact value between peers easily, cheaply, and more efficiently than with traditional payment networks.

Accepting cryptocurrency is becoming increasingly more efficient. It saves on fees and allows a company to have faster settlements.

Pretty soon, a startup company won't have to go through the long, laborious process of setting up a bank account in order to receive and distribute funds.

Investing for the Future: According to AMZcoin, cryptocurrency "may be the investment opportunity of a lifetime." Never before

have retail investors had the kind of access to high-growth, early-stage companies that they have today.

Traditionally, this access has been monopolized by private investigators and venture capital funds. Cryptocurrency allows nearly anyone in the world to invest in the some of the world's most exciting technology, giving them the ability to own shares in high-growth companies.

Developing on the Blockchain:

"Blockchain technology ," says AMZcoin, "is a cost-efficient way of building decentralized applications that can scale to a global population."

Blockchain technology is already revolutionizing how startup companies create value. Ethereum's platform lets companies build "unstoppable blockchain applications" without cost and with a great deal of speed.

One example of a company using Ethereum is OmiseGo. This is a company that uses blockchain to provide banking services for the 2 billion people in the world without access to a traditional bank.

Joining the Blockchain Community.

This community offers access to some of the world's most successful entrepreneurs, engineers, and investors, who are actively advising, investing, and building on that blockchain.

Platforms like Facebook, Telegram, WeChat, WhatsApp, and Slack are popular places for groups of these entrepreneurs to stay in contact with one another.

Communities of blockchain investors can coordinate large investments, something that would take months in traditional venture capital, within only minutes using these groups.

Cryptocurrencies provide entrepreneurs with a platform to raise capital efficiently, quickly, and cheaply. Investors can transact

value at high speed through the blockchain with limited setup costs. They can also invest in high-growth technology companies at an early stage.

Cryptocurrency will keep providing a means for entrepreneurs to create value in the world.

Grow Your Business with Cryptocurrency

Here are some ways you can grow your business:

Create your own cryptocurrency as a brand booster:

One way to draw attention to your business' use of cryptocurrency is to make your own digital branded version.

Your best approach is to build up your community first, including your customers and social media followers. Share your plans with them about creating your branded cryptocurrency, including how this will benefit them.

You don't even have to be a technology expert to do this, though you probably will want to hire a cryptocurrency developer to make sure your digital currency works properly.

Buy and trade cryptocurrency:

Just like the traditional stock markets, you can buy and trade cryptocurrencies to potentially fund your business growth.

There are even new platforms that can make this opportunity more accessible, especially to the novice investor.

Coinbase is one example of such a platform. And then there are other investor and asset manager platforms and forums to guide your investment strategies.

Another opportunity is to become a Bitcoin broker, helping others buy and trade cryptocurrencies and making extra money by assisting their transactions.

Use cryptocurrency apps to offer additional payment acceptance methods:

More and more online retailers are adding cryptocurrencies as a payment option. That even includes Microsoft and Overstock.

You can expand your customer base and reach people who may not have a bank account or may not want to use a credit card online.

Remember: the more payment options you can provide, the better your chances of attracting and retaining new customers.

BitPay is one example of a payment service provider that allows you to accept cryptocurrency as a payment option.

Encourage its use through social media: If you want to see an example of using cryptocurrency to accept payments through a social media platform, look at the messenger app, Kik.

They operate in a way that's similar to what Facebook does with traditional currency. But Kik can work across countries instead of trying to deal with all those different currencies.

This is becoming a popular way for millennials to use digital currency—and other demographics are starting to catch on.

Kik also realizes that there are other ways to encourage your users to earn cryptocurrency, ways that will keep them engaged with your platform. You can have them watch ads, host a fantastic group chat, build a great bot, or even create a fun sticker.

There are a lot of different ways that a consumer could come in and earn value and then spend it. And how that makes money for you is that you create a new cryptocurrency, but only a certain amount of it.

Then set aside some for your own use. So, if you can get more and more people trading in that cryptocurrency, its value will grow.

Add a side business related to Bitcoin:

There are many new applications relating to Bitcoin and other cryptocurrencies. A lot of them don't take a lot of your time, making them good side businesses.

For example, you might think about Bitcoin Teller Machines (BTM), which work like an ATM, only with Bitcoins.

Examples include Skyhook and BitAccess. Another option is a Bitcoin vending machine business, which lets people get items from your machines using Bitcoins instead of cash or credit cards.

Bitcoin mining:

Here's another way to grow your business, although it may require a good bit of capital output to start with.

Adding Bitcoin mining to your service roster is a lucrative way to expand your business.

Miners, those participating in this process, are usually rewarded for the use of their computers by receiving newly minted coins or transaction fees paid by other members of the network—or both.

Although mining has become more competitive, there are still considerable opportunities for a business.

Bitcoin franchises:

Cryptocurrency franchises that can expand your business include NewsBTC, Coingala, and Coin Telegraph.

Fund another business:

Many high-risk industries are not being served by traditional banking systems. You can become an “angel investor” and help another business get its start with your cryptocurrency investment platform.

Your business can then reap a sizeable reward. Just be careful where you invest your currency.

Offer a digital wallet—and the security to protect it:

With Bitcoin transactions on the rise, there's an increasing need for a secure wallet to store those coins. By developing or partnering with a tech company that can offer security for those digital wallets, you can reap even more profitable rewards.

Improve applications with blockchain:

You can even move beyond a focus on cryptocurrencies and seek out applications, including those within the financial environment.

Leveraging this technology can deliver profitable outcomes and help grow your business both directly and indirectly.

Examples: improved payroll or payment processing or more secure contracts and data storage.

I hope this special report has provided you with the information you need to venture into the exciting world of cryptocurrency.

To your success!

Resources

Here are links to a few resources that I believe will help you:

Multi-Millionaire Cryptocurrency Entrepreneur Reveals All:

>> https://disruptmagazine.com/multi-millionaire-cryptocurrency-entrepreneur-reveals-all-hustle-failure-and-success/

Top 10 Influential Crypto Entrepreneurs:

>> https://yourstory.com/mystory/top-ten-influential-crypto-blockchain-entrepreneurs/amp

Start a Cryptocurrency Business:

>> https://www.forbes.com/sites/theyec/2021/03/29/what-you-need-to-know-before-starting-a-cryptocurrency-business/

Grow Your Business with Cryptocurrency:

>> https://startupnation.com/grow-your-business/cryptocurrency-bitcoin-ecosystem/

Cryptocurrency Exchanges for Small Businesses:

>> https://www.g2.com/categories/cryptocurrency-exchanges/small-business