

Investing in Cryptocurrencies - A Beginner's Guide

Cryptocurrencies are known as digital assets that you can buy, sell, spend and trade on exchanges and are a modern alternative to standard and more mainstream forms of currency, for example, USD, Euro etc.



Cryptocurrencies are a relatively new and trending phenomenon that has taken the world by storm.

There are now thousands of these digital assets, with more appearing all the time, and a lot of them are relatively new in their infancy, but it won't take long before they become a trending topic that can rival the more established currencies available.

But should you buy into the hype and invest in cryptocurrencies or stay away?

Before you start, you need to understand the risks, the volatility surrounding the concept, how to spot scams, and choose which crypto to invest in.

Here's a simple guide to show the key facts you will need to know:

What is a cryptocurrency and how does it work?

Cryptoassets, in other words, are known as digital currencies that use cryptography to secure their transactions and control the creation of new units.

Cryptoassets have seen a huge surge in popularity in recent years, as investors look for alternative ways to store their wealth outside of the traditional financial system.

Cryptocurrencies are created through a process called "mining", which involves using computer power to solve complex mathematical problems.

When a problem is solved, a new block of cryptocurrency is created and added to the blockchain.

Miners are rewarded with new crypto assets for their efforts.

This also makes cryptocurrencies speculative, unpredictable and hard to accurately value.

You can earn more or less depending on the current time frame at which you decide to invest.



What are Peer-to-peer transactions?

Peer to peer transactions of cryptocurrencies can be transferred without any third party interference as any governing bodies do not control them.

Transactions that are conducted using peer-to-peer networks don't require a need to be run through a bank or other authority processes.

Cryptocurrencies also have a finite number of units, meaning that their value cannot be diluted.

This is in contrast to traditional currencies, which central banks can print at will.

This makes cryptocurrencies incredibly secure, as any changes to the ledger would be immediately visible to all users.

Cryptocurrencies are just one application of this technology, but they have the potential to revolutionise how we interact with the digital world.

Cryptocurrencies are digital or virtual tokens that use cryptography to secure their transactions.

Cryptocurrencies are legal, but not exactly in legal tender as in some countries you may have to pay tax on them as they might not be eligible to be held in tax-free wrappers such as ISAs.

You can use them for digital transactions at retail outlets but only at the company's discretion.

How many cryptocurrencies are available, and how much are they worth?

There are known to be around 5,000 to 7,000 cryptocurrencies in existence, and currently, 1,000 of these are considered active.

Bitcoin is the largest and most recognised cryptocurrency, with a market cap of around \$600bn, and is quickly being followed by Ethereum.

Other known cryptocurrencies include XRP, Tether, and Litecoin.

Cryptocurrencies are still in their early stages, with no guarantees that they will continue to be popular or valuable in the future.

However, they have already shown potential as an alternative way to store and transfer data.

Cryptocurrencies are digital or virtual tokens that use cryptography to secure their transactions and control new units.

Cryptocurrencies are decentralised, meaning they are not subject to government or financial institution control.

This makes them a very attractive investment opportunity to some users because they offer privacy and security that is not found in traditional currencies.

How to buy, spend and trade cryptocurrencies

There are plenty of startup businesses offering ways to trade cryptocurrency.

Do your research to see if companies are trustworthy, but if you are not sure, you might want to try some of the more established exchanges.

Popular services like Revolut also offer lots of plans and options while offering prepaid debit cards that can be used in over 130 countries to let you spend your cryptocurrencies at any merchant that accepts Mastercard.

What are the risks of investing in Cryptocurrency?

One of the most popular applications of crypto assets is in payments. In many cases, they can be faster and cheaper than traditional methods, and a growing number of retailers are starting to accept them.

However, in specific countries, scams are rampant, so you need to be careful with your investment decisions.

- It doesn't seem to be putting off consumers from investing, and crypto-assets are gaining mainstream acceptance.
- Experts believe that the volatility of Bitcoin and other digital currencies will prevent them from ever becoming truly mainstream.
- Others argue that blockchain technology underlies crypto money is not yet ready for widespread adoption.
- They claim that the technology is immature and has not been tested enough to be relied on for critical transactions.

Digital currencies are increasingly being used to purchase goods and services, with a growing number of retailers accepting Bitcoin and other crypto-assets as payment.

However, most people still view digital currencies as investments rather than spending money.

This is due to the high volatility of these assets; their values can fluctuate wildly from day to day or even hour to hour in most cases.

There is a risk vs reward element to trading cryptocurrencies.

How to choose a cryptocurrency

Mining cryptos can be a little complicated if you're not familiar with the process, but there are plenty of guides online that can help get you started.

If you want to start trading straight away, and once you've decided, you can either buy it outright or try to mine it.

Be sure to look at the strength of the user community, the quality of the tech and team behind the crypto asset and the currency's price performance to date as you don't want to invest in a currency that is on the decline, so do your research and make an informed decision.

Once you have chosen a currency, it's time to set up a wallet.

This is where you store your cryptocurrencies after you buy them.

Wallets can be hardware or software-based, and there are many different types to choose from.

For example, Exodus is a popular software wallet that supports multiple currencies while giving access to the latest interest rates.

Bitcoin, for example, was once a prime target for scammers – there are now whole websites and services dedicated to helping you stay safe when buying and using cryptocurrencies.

There you have it! Buying your first cryptocurrency is a little more complicated than buying traditional currency, but it's not too difficult.

Just remember to do your research in advance.

Cryptocurrencies can be a great investment, but there is always risk involved like any other type of investment.

So be sure to educate yourself about the risks and stay safe before investing any money. Thank you for reading!

WARNING: Always consult with an Independent Financial Advisor if you are unsure.