

BITCOIN FOR BEGINNERS

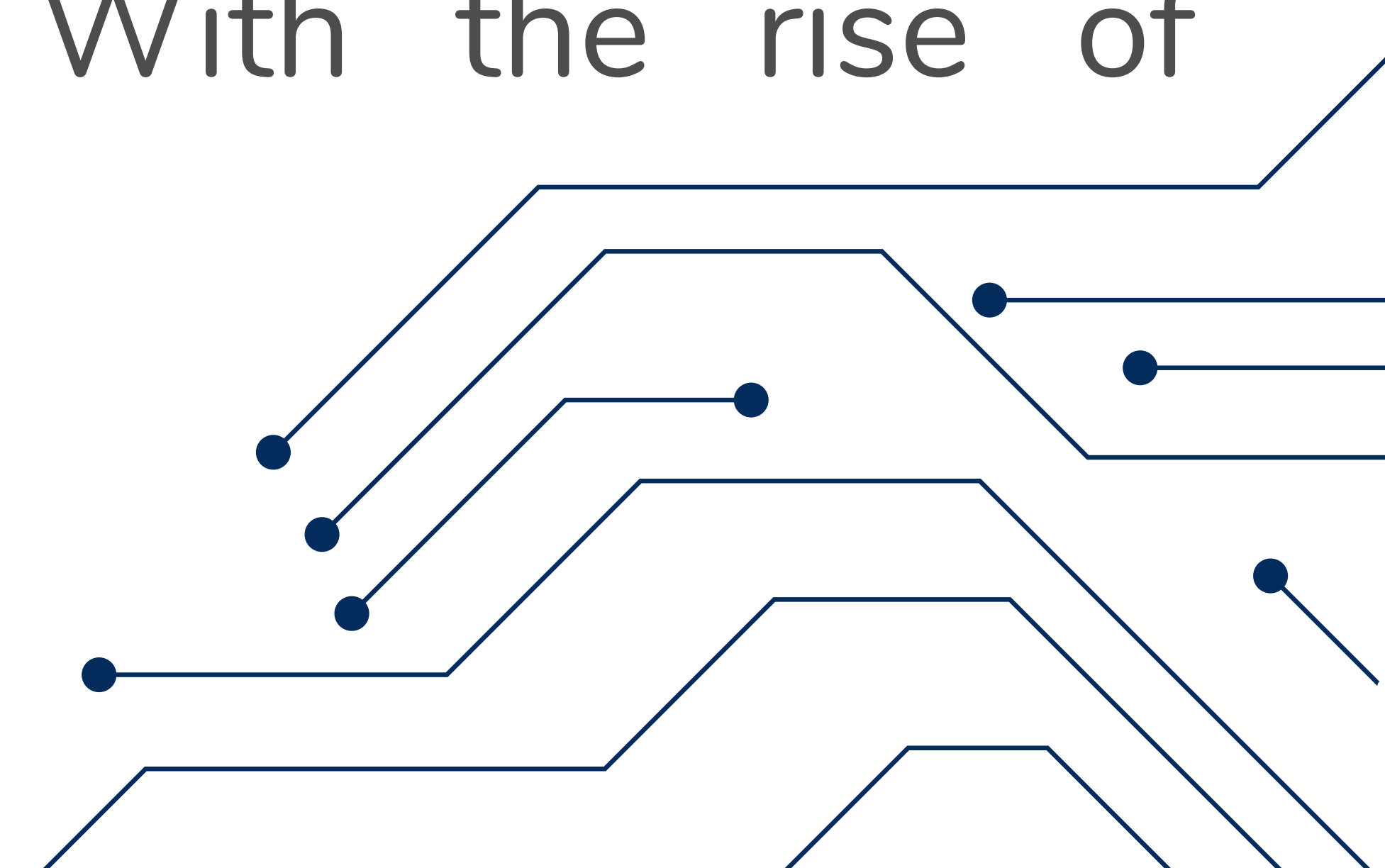
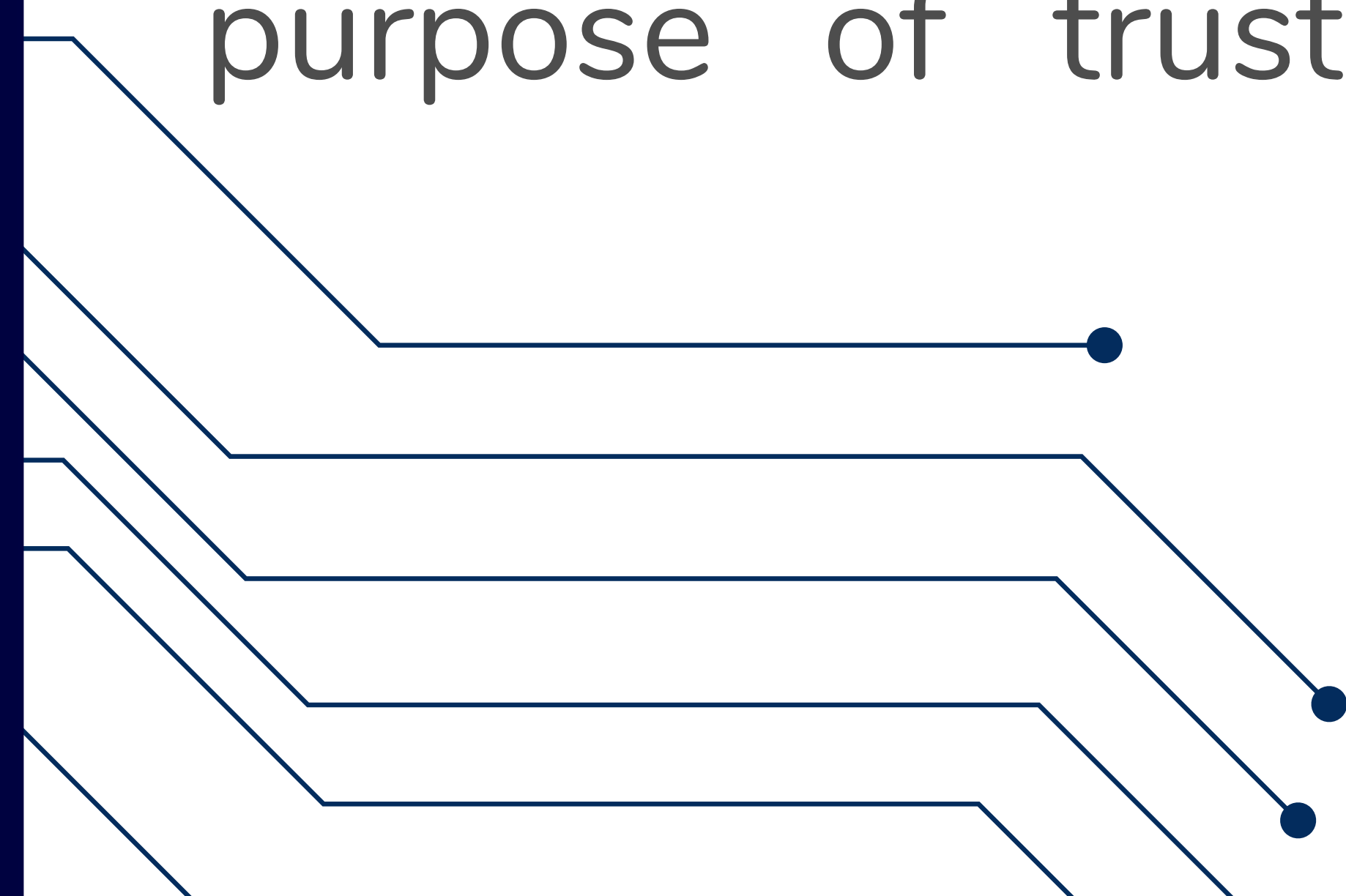


Bitcoin came to light around 2008 when an anonymous person put out a white paper describing the asset. In 2009, Bitcoin went live and started being used as a currency across the web while it was still worth next to nothing compared to the US Dollar. There is a true story about a person using 10,000 Bitcoin to purchase a pizza back in those days which would be around 600 million dollars today.

As of writing this, 1 Bitcoin is worth around \$59,000, and it only took around 12 years to get to that price. Bitcoin is most commonly viewed as a store of value rather than a currency these days. Because it is not as easily transacted as other cryptocurrencies, it is not really useful for instant payments and settlements.

Bitcoin transactions can take anywhere from 20 minutes to hours long to complete, so buying a cup of coffee with Bitcoin isn't very practical unless there are other faster cryptocurrencies at play that can help complete the transaction.

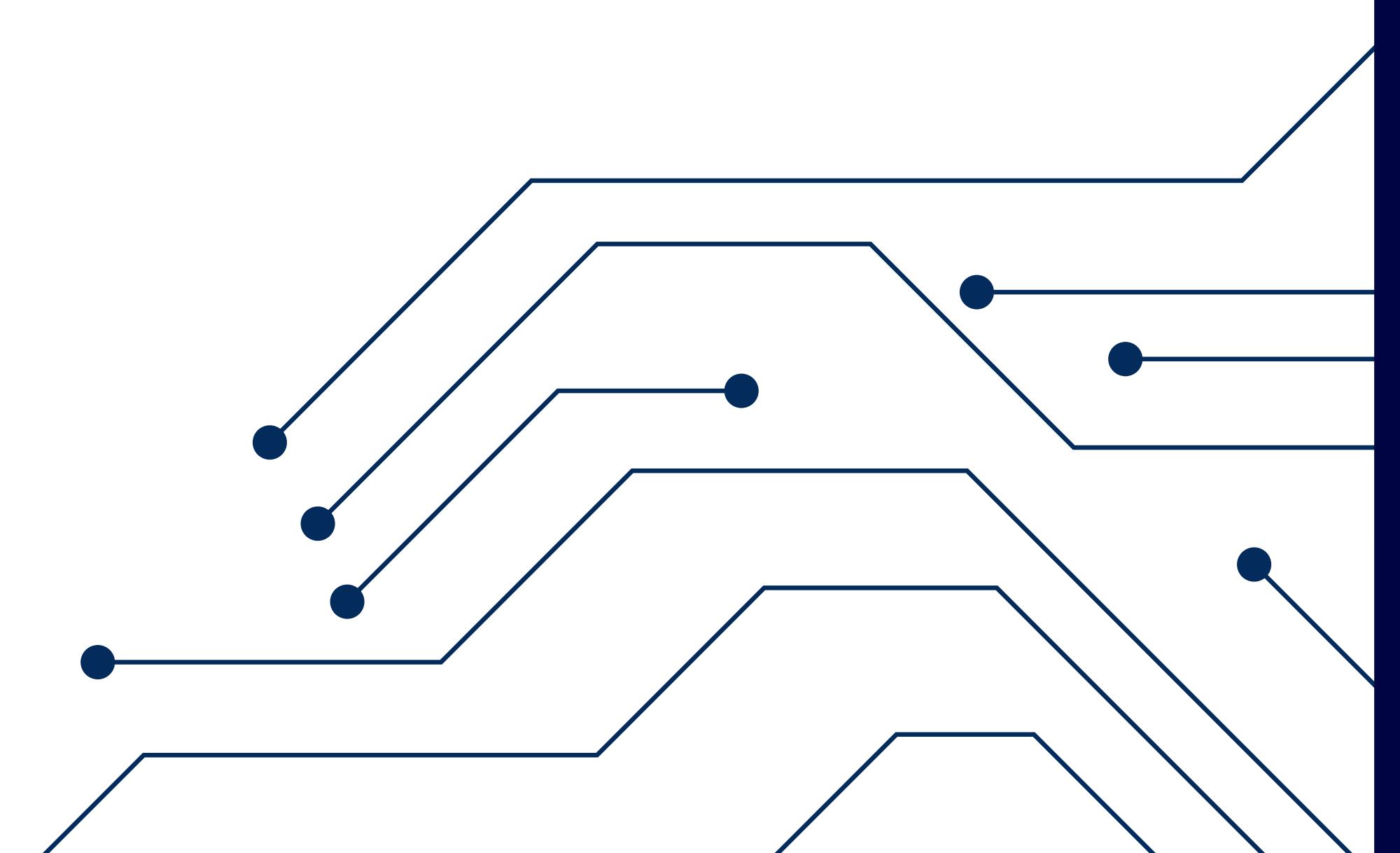
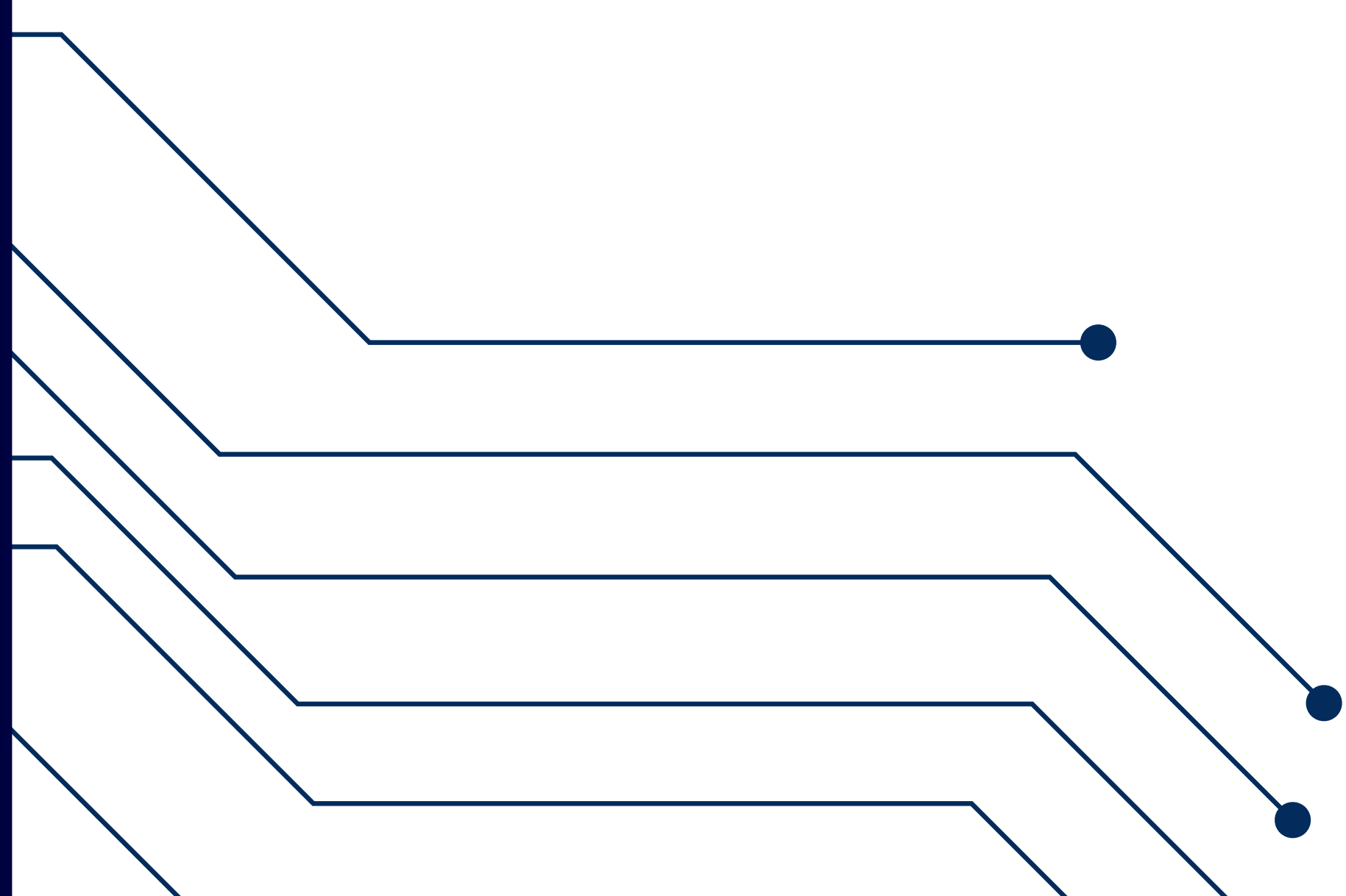
Bitcoin runs on its own blockchain and was created for the main purpose of trust surrounding online trading. With the rise of



ecommerce and digital transactions, there was a problem of trust between any two parties. If I purchased something from Steve, I would have to update my accounting books and so would Steve after the transaction occurred.

With the rise of Bitcoin, this new technology not only updated the books immediately when the transaction occurred, but also verified the transaction across the entire blockchain. This got rid of any centralized player that could manipulate the data being transacted and gave both parties much more trust in their transactions.

Proof-of-work is the model that Bitcoin uses in its particular blockchain. The anonymous user named Satoshi Nakamoto created Bitcoin to withstand all types of hacks and attacks mainly by implementing this proof-of-work system within the Bitcoin blockchain. Basically, Bitcoin is mined using high powered graphics cards that solve algorithms to produce work. By doing this, the miners use the work to mint Bitcoin in different amounts and essentially create it out of thin air.



However, the amount of Bitcoin that can be mined is a set amount at 21 million Bitcoins. So, the closer miners get to mining all of the Bitcoin in existence, the more difficult it becomes to mine Bitcoin. When someone bought a pizza with 10,000 Bitcoin, the price of Bitcoin was sub penny and it was much easier to mine large amounts of Bitcoin. Now, it costs a lot more money to mine that much Bitcoin, as there is less in existence to mine in general. Today, Bitcoin mining uses more electricity around the globe than some small countries.

Bitcoin began as a way for internet users to send value to one another anonymously. Though all transactions are visible to all on the Bitcoin blockchain, the separate wallets that are used to send and receive the transactions are usually anonymous. The only identifier of each wallet is a long string of letters and digits that represent the particular Bitcoin wallet. Because of this, Bitcoin was and still is largely used for black market purchases and sales across the internet and was looked at as a way to keep one's money away from the banks. However, in recent years we have seen huge financial institutions embracing Bitcoin and even offering it as a solution for investing purposes.



It will be interesting to see where Bitcoin is headed in the future. Will it be \$300,000 per Bitcoin like some Goldman Sachs analysts have predicted, or will it become useless with an advent of some new technology that makes it worth next to nothing? Only time will tell!

