

A BEGINNER'S GUIDE TO BUYING AND SELLING NFTS



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INTRODUCTION

Trading is a practice that has existed almost as far back as human existence; it is a core practice that all humans practice in one form or the other. Currency has played a crucial role in facilitating trade, and it has taken on much more importance in recent times. In the past few years, the currency has transcended traditional money with the advent of securities like cryptocurrency.

To put it another way, trading is purchasing and selling financial assets. Trading oneself, on the other hand, isn't quite as simple.

Although they have been in existence since 2014, NFTs only gained much prominence in 2021. NFTs are a part of the crypto space, and it has been estimated to be a \$41 billion industry.

This book will give us a step-by-step guide to buying and selling NFTs and all the extras surrounding them. We will also discuss the requirements for buying NFT and where to buy it.

You've possibly heard of non-fungible tokens (NFTs), and you're probably sick of hearing about them. In March 2021, Beeple's *Everydays: The First 5,000 Days* sold for more than \$69 million, igniting a new wave of interest in digital art and receiving widespread media attention. One of WIRED senior writer Kate Knibbs' tweets was sold as an NFT, and features editor Sandra Upson even covered a couple of CryptoPunks.

It's tough to fathom the concept of digital ownership, and it's impossible to know who to believe when so many of the loudest voices are deeply engaged in NFTs.

When diving into the realm of NFTs, proceed with caution. Rug pulls can quickly deplete financial investments. Specific artworks may expose your IP address, constituting a security risk. Furthermore, the energy used in blockchain transactions adds to global warming. Here's what you need to know if you still want to purchase and sell NFTs with all of that in mind.

As we go on in this book, we will examine all the parts that come with buying and selling NFTs. Join the ride.

CHAPTER ONE

WHAT IS AN NFT?

To put it simply, a fungible good is something that you may swap out for another. An excellent example is money. A \$100 bill equals another \$100 bill (or two \$50 bills). Paper money is considered fungible because it is interchangeable and facilitates transactions in our daily lives, despite minor discrepancies like serial numbers and issuance dates. Vehicles, art, and real estate, on the other hand, are non-fungible assets that are one-of-a-kind and not interchangeable.

Consider two houses next to one other: they may be in the same neighbourhood, have the same real estate developer, and even appear to be the same from the exterior, but they are not identical or interchangeable in construction. Their interior design and layout may vary. Estimators may significantly more value one than the other because it is closer to a high-traffic train station. Unlike two hundred dollar bills, these two houses have different inherent values and are thus non-fungible.

Traditional tangible goods are fungible and non-fungible. Intangible goods are becoming more widespread as our world becomes more computerized. Virtual and fungible tokens like Bitcoin, Ethereum, and others have risen in popularity. These goods are intangible since they do not exist in a material form that can be felt or handled, similar to how your Instagram account exists solely in digital format. Non-fungible Tokens (NFTs) can now be generated because of the advent of smart contract platforms like Ethereum. NFTs include avatars like CryptoPunks and Bored Apes and masterworks by artists like Tom Sachs.

NFT is an abbreviation for the term 'non-fungible tokens'; NFTs are cryptographic assets present on a blockchain with unique identification codes and metadata that differentiate them from each other. NFTs, unlike cryptocurrencies, can't be traded at equivalency. NFTs can represent tangible, real-life items like artworks or real estate; they can also be used to represent identities of people, property rights, or other related things. NFTs have been speculatively used as assets and have attracted criticism from different quarters on matters ranging from energy costs to carbon footprints.

Many NFTs in these early stages are still simply digital creations; they often exist in multiple forms. Such creations may include video clips or secure forms of digital art that may already exist on social media platforms like Instagram. The question regarding what

the purpose of NFTs serves is often raised, especially concerning art or pictures that can easily be screen-grabbed or downloaded on the internet. NFTs allow the buyer to own an original item by providing a form of authentication that is in-built. This authentication is what serves as the proof of ownership for the buyer. With NFTs, it is evident that the collectors value the digital bragging rights of owning an NFT much more than the items themselves.

There are different aspects to NFTs, and it is an industry that makes high-profit feasible. Like every high-profit venture, it is also fraught with high risk. There is NFT gaming, a niche within the NFT space that allows gamers to be able to earn rewards that they can use in real-life; this kind of gaming is a deviation from the typical system of gaming as it allows not only the game developers to earn but there is a flow to players and within players. The art aspect has largely eliminated the need for intermediaries between artists and their customers. There are many other possibilities like music, collectibles, sports and metaverses. The NFT space is still relatively undeveloped, but we should see much progress in the next few years.



CHAPTER TWO

HOW DO NFTs WORK?

NFTs are recorded on a blockchain, which is a decentralized public ledger. Blockchain is arguably best known as the underlying technology that allows cryptocurrencies to exist. NFTs are most commonly stored on the Ethereum blockchain, although they can also be stored on different blockchains. An NFT is made up of digital objects that represent both tangible and ethereal things, such as:

1. ART

A small group of digital artists led the art NFT movement. Other artists began to join the scene as the subculture gained more clout and prominence. Traditional and more known artists leapt to start exploring digitally while budding digital artists saw it as an opportunity to present their work.

Artists and creators may now create their work as NFTs and directly earn money from their audience without the middleman. Artists can now make a fair share based on what users are ready to pay without dealing with charges from distributors and publishers.

Because of their capacity to secure ownership rights, NFTs effectively opened up the digital art market. Prior to NFTs, the internet had been a sea of artwork that was impossible to track down since anyone could readily duplicate or replicate media assets without attribution of ownership rights. Artists can now use NFTs to imprint their mark of origin on any digital media. While this does not prohibit others from "copy-pasting," it does establish the artwork's origin.

Collectors are ready to pay a high price for art NFTs because they are limited and have blockchain proof of ownership. In other words, NFTs help to increase the value of origin and provenance, which is crucial because factors like "previous owners" and "painter's identity" influence art value. There are numerous cases of paintings being sold for a low price in the conventional art world and then revalued once the original artist and owner were discovered.

NFTs are undeniably altering the art world, and they can transform the entire creative sector. Art NFTs allow creators to present their work to a wider audience across several channels, increasing their chances of being noticed. Collectors can exhibit their treasures without using real places, while artists can try out new

mediums. NFTs could be the next step for artists to realize their full artistic potential and create even more unusual art forms, whether physical or digital.

2. **GAMES**

Games have traditionally been developed in small, concentrated bubbles. The developers or publishers set the regulations of the system, and in-game currency is frequently subject to tight constraints.

The sale of gaming objects or assets for fiat currency is generally prohibited. They'd have to rely on risky Peer-to-Peer (P2P) transactions if they didn't use third-party platforms illegally. The developers, above all, own and control the digital assets.

While most gamers may be satisfied with the way things are, there is no disputing that there are restrictions. Many players place a high value on their virtual belongings, but can one indeed claim ownership if the game makers have the authority to take them away?

Consider a digital universe in which games are interconnected, and players may exchange avatars, assets, and currency. Recognizing the constraints of 'traditional gaming,' game creators leverage blockchain technology to create games that give players more control over their in-game things and money. Creating NFTs and tokens to symbolize digital assets and in-game currency is essential for this process. This may appear insignificant, but the implications are far more critical than you realize.

When in-game money and items are released as tokens and NFTs, they will be available on DEXs and NFT marketplaces. Players can quickly sell and exchange these items for other cryptocurrencies like Dai, USD Coin, Ethereum, and even other gaming assets. This is due to increased player autonomy, as NFTs provide genuine ownership of assets and let gamers do whatever they desire to do with them.

3. **MUSIC**

Musicians from all over the world have begun to embrace this revolutionary medium to give the music industry a fresh lease on life. Artists may now publish their music directly as NFTs and bring in revenue directly from their fans, without going via an intermediary, for anything from unreleased singles to whole albums.

Musicians may now get their fair share based on what users are ready to pay without having to deal with intermediaries like record labels, distributors, or

publishers. After receiving a \$10,000 bid on one of his NFTs, Linkin Park's Mike Shinoda underlined the potential of NFTs by claiming that he would "never collect anywhere close to \$10,000" via Digital Service Providers after costs.

Music NFTs are providing creators more autonomy around the world, letting them pick what music they would love to produce and how they want to share it with their followers. By removing intermediaries and restrictions, artists and musicians worldwide can present their audience with a more unrivaled experience, not only in terms of music but also in terms of exclusive once-in-a-lifetime encounters.

Indie musicians who depend heavily on gigs that are now increasingly difficult to come by due to the COVID-19 pandemic have found a new source of hope in NFTs. Independent artists accounted for more than 57% of song NFT sales in May 2021. Put another way, these musicians are no longer limited by traditional record labels and are free to promote their audio compositions directly to their fans.

Other forms include GIFs, collectibles, virtual avatars, and video clips.



CHAPTER THREE

BUYING NFTS

If you want to build your NFT collection, you'll need to get a few things:

To begin, you'll need a digital wallet that can hold both NFTs and cryptocurrencies. Depending on your NFT provider's currencies, you'll probably need to buy some cryptocurrency, such as Ether. Coinbase, Kraken, eToro accept credit cards for crypto purchases. Then you'll be able to transfer it from the exchange to your preferred wallet choice.

As you consider your alternatives, keep fees in mind. Most exchanges charge at least a portion of your transaction when you acquire cryptocurrency.

Popular NFT Marketplaces

There are many NFT sites to choose from once you've set up and funded your wallet. The following are the largest NFT marketplaces at the moment:

- OpenSea.io is a peer-to-peer marketplace that sells "rare digital items and memorabilia." You'll open a new account and browse through the NFT collections to get started. You may also sort NFTs by how much they are sold.
- Rarible: Rarible is a participatory, open marketplace that permits artists and producers to issue and sell NFTs, similar to how OpenSea operates. The platform's RARI tokens allow users to vote on features such as fees and community regulations.
- Foundation: Artists need to earn "upvotes" or an invitation from other creators to put their work on the foundation. Because of the community's exclusivity and high admission cost—artists must also acquire "gas" to mint NFTs—it is likely to attract higher-quality work. It might also imply higher prices, which isn't necessarily negative for artists and collectors looking to profit, provided the demand for NFTs stays the same or even rises over time.

Thousands of NFT makers use these and other platforms, so do your homework before purchasing. Impersonators have listed and sold some artists' work without their knowledge or consent, so you must be conscious and cautious to prevent NFT scams.

Furthermore, the verification methods for creators and NFT listings vary by platform, with some being more rigorous than others. For example, owner verification isn't required for NFT listings on OpenSea and Rarible. Buyer safeguards appear to be limited, so keep the adage "caveat emptor" in mind when purchasing NFTs.



CHAPTER FOUR

SELLING NFTS

To begin selling an NFT, you must first "mint" one of your digital assets as an NFT, a digital certificate generated on a blockchain network — typically on Ethereum — that ensures that you own the work. From painting to music to video games, you may mint any digital work as an NFT. It's also straightforward to convert the file to an NFT by following a few simple procedures. Remember that your work's final selling price will be determined by subjective aspects like its inventiveness, quality, and reputation among potential buyers.

The procedures involved in making a sale are listed below.

1. Choose A Marketplace and Mint an NFT

The first step is to choose the best NFT market. Consider these marketplaces the Amazon of the NFT world, with an online repository of digital content that can be bought or sold. There are many marketplaces, each specializing in a different form of a digital asset. OpenSea now has the largest and most diverse NFT market in the world.

After deciding which marketplace to utilize, link your funded cryptocurrency wallet, choose "Mint an NFT," and upload your digital content. The process varies significantly from marketplace to marketplace, but most allow you to mint an NFT without much stress.

2. List your NFT for Sale

You'll be given the option to post your NFT for sale on the marketplace once you've minted it. It's worth noting that while you can transfer and sell your NFTs on other platforms, you may incur additional fees in the process.

Follow the directions after clicking the "Sell" button. You can give specific transaction parameters here, such as the price or auction time limit and the cryptocurrencies that NFT purchasers can use to pay you. At this stage, the marketplace will calculate any "gas fees," which are transaction fees charged by the Ethereum blockchain network. Gas prices vary depending on how active the blockchain network is at any given time. The fees charged by the marketplace for handling the sale will also be listed.

3. **Manage your Listing**

ONCE YOU'VE COMPLETED THE LISTING, your NFT will be purchasable on the marketplace. You must advertise the deal to potential customers on your website or through social media. You can also manage your NFT listing, but keep in mind that changing changes or removing it may result in a new fee, and any gas payments you've previously paid will not be refunded.

When To Sell An NFT

The NFT's purpose determines the best moment to sell an NFT and why you minted or bought it in the first place.

Minting and selling NFTs can be a new way to get remunerated for your work if you're an artist or digital producer; thus, selling will primarily depend on demand for your work and what customers are willing to pay. Keep an eye on customer interest to maximize your selling price, but keep in mind that gas costs might cut your profit or even cause you to sell at a loss if the purchasing price isn't high enough. High Ethereum network gas fees, for example, have been a source of contention for some, so don't take it for granted that your sale will yield a profit.

Perhaps you purchased an NFT for a particular reason and no longer need it, or maybe the value of an NFT you bought has increased. If you have other needs for the money or better areas to invest in, selling could be a good decision. When calculating your potential profit or loss on the sale, remember to include gas costs, marketplace listing fees, and royalties paid to the original author. When it comes to gas expenses, you can save money by scheduling your listing on times when the Ethereum blockchain network is not very congested.

It's not easy to make money selling NFTs. Minting and then selling your digital labor will incur Ethereum network and marketplace fees, and trading NFTs might be risky given the movement's volatility. However, if you're a creative person seeking a new way to grow your business, this area of the crypto world is worth looking into because it could open up new opportunities for monetizing your skills.



CONCLUSION

In general, investing in NFTs is a primarily personal choice. If you have money to spare, it may be worth considering, especially if a work bears meaning for you. However, keep in mind that the value of an NFT is solely determined by what someone else is prepared to pay for it. As a result, rather than fundamental, technical, or economic indicators, which traditionally impact stock prices and, at the very least, constitute the basis for investor demand, demand will drive the price.

All of this means that you may be able to resell an NFT for less than you bought it for. If no one wants it, you might not be able to resell it.

However, treat NFTs like any other investment: do your homework, be aware of the dangers (including the possibility of losing all of your money), and proceed with caution if you decide to invest.

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