

ARE NFTS GOOD INVESTMENTS ?



Non-fungible tokens are causing a revolution in the social space and have been the rave over the last couple of years. What exactly are NFTs? Well, NFTs are items that have unique intrinsic value and as a result, are not mutually interchangeable, hence, they are non-fungible. An example of a fungible item is money. For instance, if you put two \$10 bills side by side, they can be easily interchanged, and there would be no differences or issues whatsoever, this proves their fungibility.

Traditional tangible goods are both fungible and non-fungible. Intangible objects are becoming more ubiquitous as our world becomes more computerized. Intangible and fungible tokens have grown in popularity over the last few years. Bitcoin, Ethereum, and other cryptocurrencies are some of the most popular. Because these things are intangible, they can't be seen or touched.

They do not exist in a physical form that can be sensed or touched in the same way that you cannot touch your Instagram account because it only exists digitally. The fact is that your Instagram account is merely a digital representation of yourself. The technology has advanced thanks to the rise of smart contract platforms like Ethereum. There is a possibility of creating Non-Fungible Tokens (NFTs). NFTs, for example, incorporate CryptoPunks and Bored Apes as avatars, as well as outstanding works by Tom Sachs and Damien Hirst, who are examples of notable artists.

NFTs are frequently mentioned, but what precisely are they? In simple terms, an NFT is a token with a unique identifier and other attributes that contain relevant specific data on it. A token's non-fungibility is due to its unique identification. Text, photos, audio, and video files can all be included as supplementary information.

Investing In NFTs

If we will be particular about the accuracy of terms, it would be a mistake to say we are investing in NFTs because they are not asset class items. NFTs employ the use of blockchain tech to indicate digital ownership. That an asset has been tokenized to become an NFT does not necessarily mean that it is going to be a smart investment.

That is not to say that investing in NFTs is a bad idea, if you come across an NFT that appeals to you and you have the means to purchase it, that would be a good thing to do. However, you must understand the pros and cons of investing in NFTs before sticking your head into it.

Pros Of NFT Investment

As with any investment, there are always upsides and downsides, in the crypto space, the majority of investments are high-risk and NFTs are probably near the top of the pile when it comes to risk factors, however, there are many reasons for you to purchase an NFT.

The first glaring advantage is the fact that anyone, absolutely anyone, can invest and own an NFT. They are not hidden away for a select few, tokenized assets can be accessed by anyone interested. It can also be easily transferred between people all over the world.

NFT's usage of blockchain to signify ownership is also a big plus. Blockchain technology allows for complete transparency and guarantees the owner that their tokenized assets are secure due to the tight security of the blockchain. Another positive that is tied to investing in NFTs is that it creates an avenue for you to be able to learn more and become much more acquainted with blockchain technology.

Cons Of NFT Investment

As earlier stated, NFTs are high-risk and also have their downsides, and that's what we will look through in this section. The first issue with NFTs is that they are not exactly asset class as they are often erroneously portrayed, they are primarily a way to signify ownership digitally if anything. The hype surrounding them has caused the prices to be both volatile and inflated.

There is also the issue that a high amount of energy is required in generating NFTs. The blockchain on which NFTs exist, Ethereum, uses a lot of electricity such that to successfully perform a single NFT transaction, the amount of energy consumed is equivalent to what the average house would use for 36 hours. It is also worthy to note that because NFT transactions majorly take place on the Ethereum blockchain,

it may be necessary to own ETH which is the native currency of the blockchain, this is a huge limitation for those who would like to transact but do not have Ether.

Conclusion

The question about whether NFTs are a good investment can only be answered by the individual involved. You will be the one to decide whether NFTs are a good investment for you based on the circumstances within which you would like to invest. Investing in NFTs is a good idea, what would be wrong is to invest in them simply because you are pressured by the rave that surrounds them other than making an informed decision through your own research.