

Absolute Beginner's Guide to Cryptocurrency Investing

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Source: <https://the-money-faqs.com/blog/absolute-beginners-guide-to-cryptocurrency-investing/>

Before I begin, let me just say that I have written this *Beginner's Guide To Cryptocurrency Investing* as an informative piece, not at all financial advice. Perhaps just like you, I myself am also a neophyte in cryptocurrency investing and trading. If you don't grasp the basics, cryptocurrencies might be hard to comprehend. It's just that, it is more fulfilling sharing your acquired knowledge as you learn.

Last April I just started my cryptocurrency journey. To be honest, it was daunting at first. All the technical stuff and charts can be overwhelming. I am not a specialist in this sector at all. But I want to share my own experience with you guys to help you understand how to invest in crypto.

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What is Cryptocurrency?

In this *Beginner's Guide to Cryptocurrency Investing*, the first thing that we should learn is to understand what is cryptocurrency. For over a decade, cryptocurrency has been here, yet many of us do not fully comprehend it still. To put it simply, cryptocurrency is a form of currency just like the fiat currencies (US Dollar, Euro, Peso, and Yen). However, unlike fiat currencies, cryptocurrencies only exist electronically. It is like digital cash. They have no physical form. In contrast to traditional money, no central government supports cryptocurrencies. Therefore, it is totally decentralized. It exists through a decentralized

structure called “*blockchain technology*” where it is completely out of the government’s reach.

What is Blockchain Technology?

Upon discussing the definition of cryptocurrency, I have mentioned yet another term that we do not often hear about, which is blockchain technology. A blockchain is simply a digital transaction ledger, which disseminates across a whole computer network the number of transactions that are contained on each block on the chain. Each time a new transaction takes place on the blockchain, the transaction is recorded in the ledger of every participant which makes it difficult or almost impossible to alter, hack, or cheat the system. Blockchains are used to ensure the integrity of the data for decentralized transactions that takes place which makes them useful for cryptocurrencies.

What are the different kinds of Cryptocurrencies?

When we speak of cryptocurrency, the first thing that usually comes to our mind is Bitcoin. However, cryptocurrencies are more than just Bitcoin. Bitcoin is just one of the many. Other kinds of cryptocurrencies are Ethereum, XRP, Cardano, Polkadot, Binance Coin, among others.

Here is a table showing the top ten cryptocurrencies by market capitalization: (as of 6/15/21)

Cryptocurrency	Market Capitalization
Bitcoin	\$755.7 billion
Ethereum	\$301.7 billion
Tether	\$62.6 billion
Binance Coin	\$56.8 billion
Cardano	\$50.5 billion
Dogecoin	\$42.2 billion
XRP	\$40.7 billion
USD Coin	\$23.7 billion
Polkadot	\$23.2 billion
Uniswap	\$13.8 billion

Common Terminologies in Cryptocurrency Investing

Before going further with learning cryptocurrencies, it is a must that we familiarize ourselves with some of the most common terminologies will probably encounter. Here are them:

- **Altcoins**- Remember when I said there is more to cryptocurrencies than just Bitcoin? This is precisely what I mean by that. Any other cryptocurrencies other than Bitcoin falls under the subcategory of an Altcoin. Meaning, alternative coin, or alternative to Bitcoin.
- **Blockchain**- A blockchain is a database that stores encrypted blocks of data then chains them together to form a chronological single-source of truth for the data. It is like a decentralized digital ledger that serves as the underlying technology for cryptocurrencies to keep their transactions secured.
- **Cryptocurrency address**- A cryptocurrency address is a unique identifier that acts as a virtual place for the transmission of a specific cryptocurrency. Similar to how fiat monies commonly get transferred to specific bank accounts, anyone may transmit cryptocurrencies through its cryptocurrency addresses.
- **Cryptography**- Cryptography is a method of data and communication protection using codes. From the name itself, this is the idea behind cryptocurrency put together with blockchain technology.
- **Decentralized Apps (dApps)**- These pertain to applications that are not centralized and runs on a distributed network without any central authority.
- **Decentralized Finance (Defi)**- Decentralized finance is a blockchain-based form of finance that does not rely on centralized financial intermediaries to facilitate traditional financial transactions like payment processing.
- **Digital Currency**- This pertains to currencies that are only accessible in digital or electronic form. Unlike their traditional counterpart which is fiat currencies, they do not have a physical form.
- **Distributed Ledger Technology**- The distributed ledger is characterized as a ledger for any decentralized transactions or contracts across multiple locations and among various individuals.
- **Fiat Currency**- Fiat money is a government-issued currency that is not supported by commodities, such as gold or silver. The value of fiat money stems from the links between supply and demand and issuer governance stability.
- **Gas**- This is not the usual “gas” you have in mind. In cryptocurrency parlance, this refers to the fee you incur whenever you make a buy or sell transaction in the blockchain.
- **Mining**- The validation procedure of the block in return for a block reward. A block pertains to a series of transactions that make up the blockchain.
- **Non-fungible tokens (NFTs)**- NFTs are relatively new and are growing in popularity. NFTs are a unit of data stored on a digital ledger certifying that a digital asset is unique and therefore not interchangeable. NFTs can be used for collectibles like art, music, and other types of digital files using smart contracts.
- **Public Keys**- This is the key you share with individuals so you can get cryptocurrency during exchange transactions.
- **Private Keys**- Private keys is the one used to access your wallet containing your cryptocurrencies. By the name itself, only you should have an access to your private keys, or else somebody else might take control over your cryptos.
- **Smart Contracts**- Smart contracts are simply digital contracts between several parties that are implemented on the blockchain.
- **Wallet**- The location your coins are held is called a crypto wallet. Wallets can be hardware or software wallets. An example of a software wallet is if you use a mobile app to store your cryptocurrencies.

- **Cold Storage**- This is when users save their private keys offline, so they will not be stolen.
- **Hardware Wallet**- The safest approach to keep your cryptocurrency safe is possibly using hardware wallets.
- **Whitepaper**- A white paper outlines how a cryptocurrency is developed.

Crypto Slang

- **Bag Holder**- This pertains to a person who keeps holding on to certain crypto in his portfolio who are almost rendered worthless.
- **Diamond Hands**- Diamond hands allude to a person's power to hold for a long time a cryptocurrency in his hands regardless of the risks involved. This is usually a person who normally aims to achieve greater profits and is forward-looking to the use-case and potential of the coin.
- **FOMO**- Fear Of Missing Ot. This is a scenario wherein a person was not able to buy in before a price of a coin surge, and when the price surged that is when he/she buys a coin. As a result, they buy when the price is already high which is contrary to the basic tenet in cryptocurrency investing of "*buy low, sell high*".
- **FUD**- Fear, Uncertainty, Doubt. FUD is a strategy that drives away weaker investors to sell their coins at cheaper prices. Somebody who instills fear, uncertainty, and doubts in crypto holders is called a FUDster.
- **HODL**- Hold On for Dear Life. This simply means not panicking and not selling your coins during a market slump. When you HODL, you are often referred to as someone with diamond hands.
- **Moon** - To the moon or mooning pertains to the sudden spike or skyrocketing of a price of a coin as if it's heading to the moon.
- **Pump and dump**- This pertains to a coordinated manipulation strategy wherein a price of a specific coin is boosted (pumped) and then quickly sold to collect profits (dumped).
- **Rekt**- Rekt is coined from the word "wrecked" which essentially means when a cryptocurrency has plummeted in value and ultimately wipes out its investors.
- **Satoshi**- A Satoshi is the smallest denomination of Bitcoin and is equivalent to the 100th billionth of one Bitcoin. It was named after Bitcoin's creator, Satoshi Nakamoto.
- **Shill**- This refers to a person promoting a specific cryptocurrency to increase its price usually for his own benefit. A familiar example of this is [Elon Musk's series of tweets promoting Dogecoin](#).
- **Whale**- This refers to someone who owns a lot of cryptocurrencies.
- **When Lambo**- When Lambo is a colloquial term that simply asks the question of "*When will we ever get rich from holding cryptocurrency*" As we know, Lambo or Lamborghini is usually connotated to the status symbol of luxurious living.

Tips Before Investing In Cryptocurrency

Cryptocurrency is a relatively new asset class. We could say that we are still in the early adoption phase of cryptocurrencies though one thing I'm quite sure of - cryptocurrencies are

here to stay. Therefore, if you are planning, or is currently investing in cryptocurrencies, here are some helpful tips and a beginner's guide to cryptocurrency.

- **Do Your Own Research**- Always do your due diligence and conduct thorough research before you put your hard-earned money on any investment. Nowadays, there are various sources of information in which you could do your research. However, always validate that your sources of information are legitimate. You would not want to accumulate knowledge from an unreliable source. The things you should look into are: ways to earn crypto (crypto mining, scalping, etc.), ways of buying and selling crypto through various exchanges, and risks involved in crypto investing.
- **Only Invest Money That You Could Afford To Lose**- It is a fact that the cryptocurrency market is a highly volatile market. Therefore, in a split second, you could see the price of your coins skyrocket, but in the flick of a finger, it could also plummet down. As I have said, we are in the early phase of cryptocurrency adoption. For some, they consider cryptocurrencies more speculative rather than a long-term investment.
- **Choose the Right Cryptocurrency**- It is always a wise choice to diversify your assets. Even when it comes to cryptocurrency, it is best that you diversify your cryptocurrency portfolio to various coins. In choosing the right cryptocurrency, it is best to look for utility and use-case. Nowadays, there has been a rampant rise in so-called "shitcoins" and "pump and dump" coins that do not have actual use-cases. As such, always be mindful. ([Read also: How To Diversify Your Portfolio Using Asset Allocation](#))
- Do not invest because of Fear of Missing Out. Never invest just because of the hype of a specific coin.
- Do always read the whitepaper of a coin. Invest in a certain coin because you believe in the value it brings in and because of its utility and use-cases. Read relevant sources such as a beginner's guide to cryptocurrency and always fact-check.
- Do not put all of your life savings in the cryptocurrency market. For me, it is just not a wise idea. Therefore, consider limiting your cryptocurrency holdings to 5%-10% of your investable funds.
- Do evaluate the project's tokenomics. Before investing in any kind of cryptocurrency, always consider the role, purpose, and features that it brings to the table. It helps to familiarize yourself with a beginner's guide to cryptocurrency investing. See Tokens Usage and Value Guide below.
- Do look out for obvious signs of scams. Never be victimized by scammers who try to take advantage of the lack of knowledge of those newbies who want to try cryptocurrency investing.
- Do not invest in cryptocurrencies you have not substantially researched. Read articles that serve as a beginner's guide to cryptocurrency.
- Do not trade in the crypto market without a plan. Hence, always assess yourself what kind of trader are you. Are you into scalping, swing trading, position trading, or long-term investing?
- Do not be greedy. Therefore, always take profits and have an exit plan.

The Money FAQs Key Takeaways

Just a caveat, since this blog post is intended to be a beginner's guide to cryptocurrency, this may not cover in full everything that there is to be learned about the crypto market. After all,

cryptocurrency investing is such a broad concept. ([Read also: 10 Best Ideas on Investing Your Money this 2021](#))

Cryptocurrency investing is still in its infant stages, and I think there is such a huge potential to it. Just like how the world wide web and the internet had taken over in the prior years, I believe that cryptocurrencies have a huge future ahead of them.

As much as there are visionaries who are firm believers of cryptocurrencies, there are also naysayers of it. Either side has valid points, and it is up to the individual investor to assess and evaluate his available options. Realistically speaking, the cryptocurrency market is highly volatile, its prices almost unpredictable. However, at the other end of the spectrum, we have witnessed how the value of some of these cryptocurrencies has surged into greater heights over the course of the years.

Personal Experience With Cryptocurrency Investing

The cryptocurrency market has a lot of ups and downs in its lifetime. As of writing, we are currently experiencing a slump in the cryptomarket. I personally have been incurring some paper losses, but I still remain hopeful that what we are experiencing now is just a phase. And just like any other phase, this too shall pass.

I believe that for someone who wants to try cryptocurrency investing, one must have mental and emotional fortitude. I tell you, cryptocurrency is not for the faint-hearted. Even still, I remain hopeful for its potential. It is a fact that cryptocurrency investing has turned some people into millionaires, or billionaires even. But nobody talks about the behind-the-scenes, the rollercoaster ride of this crypto market. Nobody talks about the bloodbath whenever prices fall and wreck the faint of heart of investors.

I am in no way giving financial advice. It is far from that. I am sharing with you my perspective about this market. Every day, I am still learning new stuff about this market. Just looking on the short-term could be daunting in this market, but I choose to look further ahead. So to you who's reading this beginner's guide to cryptocurrency, welcome to cryptocurrency investing!