

Cryptocurrency FAQs

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Answering the Most Frequently Asked
Questions about How to Make Money
with Cryptocurrency

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Do you have questions about cryptocurrencies? Perhaps you've heard some of the wonderful success stories about people making a fortune in a very short period of time by investing in these virtual currencies. You'd like to get on board.

As with any financial endeavor, it makes sense to ask questions first. Are cryptocurrencies legal? What are the top coins? Why were they created in the first place, these virtual forms of currency? Those are just a few of the most common questions asked by beginners to cryptocurrency. Let's start answering those and other questions to improve your knowledge on this potentially profitable type of investment.

Q: Are cryptocurrencies legal?

It depends on where you are in the world. Trading virtual currency or just owning it is legal in the United States. Understand that this can change at any time. Though crypto coins were first developed in the 1980s, they didn't really come into their own until 2009. That's when Bitcoin came to be.

We mention the relatively young age of the cryptocurrency marketplace so that you understand it's still in its infancy. Companies, individual investors and financial analysts often change their attitudes about cryptocurrency. Many governments are concerned that it could supplant traditional money.

By its very nature, it operates without regulation. This means a government can't regulate what a crypto coin is worth. They also can't control it. Most governments don't like this.

This is why in some countries you'll find that you can't own, buy or sell cryptocurrencies. Some will allow you to transfer cryptocurrencies but you can't use them at regular stores and businesses.

You should always check to see if cryptocurrencies are legal where you live. If you're in the United States, a law passed in 2013 makes owning, buying, selling and trading cryptocurrencies legal. The US Treasury Department's Financial Crimes Enforcement Network released a statement saying it is legal "... to invest in Bitcoin and use it as a form of payment as long as the seller is willing to accept it."

The Securities and Exchange Commission (SEC) has designated cryptocurrency as a digital currency, and the Internal Revenue Service views it as property. So currently, owning or using cryptocurrencies is legal in the United States.

Q: I've heard of Bitcoin. What are some of the other top cryptocurrencies?

Not to beat a dead horse here, but this can change at any time. We just mentioned that the legality of cryptocurrency can change, and probably will, at different times and places around the world. The same is going to be true at a slower rate of change concerning what cryptocurrencies are the biggest or most popular.

In 2021, Bitcoin reached a value of \$1 trillion. The total value of all Bitcoin available was more than 1,000 billion dollars. If that staggers the mind, think about it for a moment. This means that so many people around the world look at Bitcoin as a viable form of currency or investment vehicle.

The same is becoming truer every day with more people, regardless what country they live in.

The nature of cryptocurrencies are that they can be traded, bought and sold anonymously. This means that people are buying them and selling them in countries where it's illegal to do so. Since it's anonymous and these are not regulated by governments or financial authorities, you don't have to reveal your identity. This has resulted in thousands of cryptocurrencies. Some of the top cryptocurrencies at the time of this writing are as follows.

- Bitcoin
- Ethereum
- Binance Coin
- Tether
- Cardano
- Solana

Q: Why were cryptocurrencies created?

The human mind is incredible. It's referred to as the most capable supercomputer of all time. Add the human desire to invent and experiment, and you understand that people are capable of anything.

This is certainly the case when an individual feels like he's powerless.

The creators of the first virtual currencies were looking to get control. They were upset that their governments and regulatory bodies controlled the money that they used to make transactions. They wanted to be able to anonymously buy and sell things with some type of currency that was outside the reach of government authorities. They also wanted this to be an anonymous way to make transactions.

Cryptocurrencies were the answer.

Without getting into the complex math involved, this is a secure transaction that avoids counterfeiters. It's decentralized. There's no central control system. No third body like a government trying to manipulate currency for their profit is involved.

Cryptocurrencies were created to allow secure, person-to-person transactions without any interaction or manipulation by a regulatory body.

You don't need to get the permission of your government to buy, sell and trade cryptocurrencies. You are in power.

This doesn't mean we advocate breaking the law. If trading cryptocurrencies is illegal where you are, then act accordingly. We're simply saying that this virtual type of currency was created so anyone, you included, could use it to make transactions safely and anonymously.

Q: I've heard that some cryptocurrencies can be used for illegal activities. Is this true?

Cryptocurrencies can definitely be used for illegal activities. They allow for absolute anonymity. No personal information is verified or required. This doesn't mean virtual currencies are evil. Any form of money can be used for illegal or immoral purposes. Cryptocurrencies are no different.

Q: How do I buy and sell cryptocurrencies?

You can buy and sell cryptocurrencies on cryptocurrency exchanges. It's free to open an account. Most exchanges will reward you with some free form of cryptocurrency as a bonus for opening an account. Then you use the traditional currency of your country to purchase crypto coins. People use these exchanges as virtual stock markets, hoping to buy and sell at a profit.

Q: Is it possible to buy funds or securities comprised of cryptocurrencies?

There are exchange traded funds (ETFs) that you can buy and sell. These are being offered more frequently by traditional trading houses rather than just cryptocurrency exchanges. They often include a basket of several different cryptocurrencies.

You can buy and sell shares of these funds or securities as a way to try and make a trading profit. You have to understand that, just like with cryptocurrency exchanges, there are fees involved. You're going to have fees on each purchase and each sale in many cases. Some may have maintenance fees and other types of charges you need to consider. You should shop around if you're considering buying and selling cryptocurrency ETFs and securities.

Get to know every fee or charge that you'll have to pay. You should also do this when you're deciding on which cryptocurrency exchange you're going to use.

Q: Can I purchase crypto coins somewhere other than an exchange?

Bitcoin ATMs have started to appear in major cities. You insert cash, a credit or debit card and use it to purchase bit coins. There are also peer to peer (person-to-person) cryptocurrency exchanges. People post what they are hoping to buy and sell and the amount of a particular cryptocurrency is suggested.

Q: Can cryptocurrencies be used to purchase normal things?

There are plenty of well-known companies that accept cryptocurrencies like Bitcoin for payment. What companies accept cryptocurrencies for payment?

Overstock.com began accepting Bitcoin as a form of payment in 2014. Travala.com (an online travel company) has announced they accept Dogecoin, Bitcoin, Ethereum and Cardano. PayPal customers in the US can buy and sell crypto and use it as a form of payment. PayPal supports the use of Bitcoin, Ethereum, Litecoin and Bitcoin Cash cryptocurrencies.

This is just the tip of the iceberg. More companies are giving their blessing to cryptocurrencies as acceptable forms of payment. This includes such familiar companies as Starbucks and AT&T. Amazon and Walmart have announced they're going to start hiring digital currency product managers. Can their adoption of cryptocurrency be far behind?

If you have a specific retailer or business you want to accept cryptocurrency as a form of payment, contact them. Let them know that people like you want to do business with them, and you want to use cryptocurrency as a payment option.

The more people that express an interest in using virtual currencies, the more businesses that will begin to honor this form of payment.

Q: How are transactions recorded?

Imagine that everyone who owns a particular cryptocurrency has a notebook where they keep their account information. That notebook is virtual. It's not a physical notebook or ledger. It exists in the virtual world. Let's use an example with the imaginary cryptocurrency AAA SuperDuperCoin.

You purchase some AAA SuperDuperCoin at a cryptocurrency exchange. You find out that one of your favorite online retailers accepts that virtual currency as payment. You buy something from that retailer. Since the company accepts AAA SuperDuperCoin as a virtual form of payment, they also have a notebook where their account information is kept.

What happens the instant the transaction takes place is very similar to when you use a credit card or debit card to make a purchase.

Both your notebook and the notebook of the retailer are updated immediately. With cryptocurrencies, that notebook is called a ledger. A digital ledger is updated not only for your account and the retailer's, but for every other holder of AAA SuperDuperCoin.

This is a shared ledger or notebook. It's called a blockchain. It protects and records transactions and allows for an anonymous and safe transference of cryptocurrency.

You have public and private encryption keys that are updated whenever a cryptocurrency you own is involved in a transaction. No third party is required to

validate the transaction. All that's needed is that you and some other person or business agree to transfer a certain amount of cryptocurrency to complete a transaction. Then the shared digital ledger is updated everywhere.

Q: Are crypto coins, cryptocurrencies, tokens and alt coins the same things?

Generally speaking, cryptocurrency, crypto coins, coins and alt coins all refer to the same basic thing. You'll hear people use those terms interchangeably. They're referring to digital, virtual currency. On the other hand, tokens are offered by some companies as their own in-house cryptocurrency. These tokens can be used to purchase goods or services specifically from the company issuing the tokens.

While you'll hear people mention alt coins (or altcoins) as any cryptocurrency, that's not actually the case. The term was developed to refer to any cryptocurrency other than Bitcoin. That having been said, you'll hear the terms cryptocurrencies, crypto coins and alt coins used interchangeably much of the time.

Q: What is Bitcoin mining?

Mining is how new Bitcoins come to be. It's how they're created. It's also part of the process which confirms new transactions. This is a critical part of the maintenance and development of the shared blockchain ledger.

In the early days of Bitcoin, average people could make money this way. They only needed a desktop computer with a lot of memory and processing power. Individuals were making very good money mining Bitcoin.

This is done using sophisticated hardware these days. The process solves extremely complex math problems and computational queries. The first computer somewhere in the world that finds a solution to the problem is awarded the next block of Bitcoins. Then the process begins again.

If that's confusing, just understand this. It's very difficult for the average person to be a Bitcoin miner or to mine any other type of cryptocurrency these days. A large number of computers are needed. There is a huge investment you have to make.

You have to understand the whole cryptocurrency blockchain to get going. The electric power required to even run a small Bitcoin operation is steep. It's highly unlikely for the average person to become a Bitcoin miner at any decent level of profitability.

Q: How many cryptocurrencies are there?

There are thousands of cryptocurrencies. Anyone can develop a new coin. You can if you'd like to. New coins are popping up all of the time. So many people made truly life-changing amounts of money in only a few days with several different new cryptocurrencies. This has led to companies and individuals that would like to cash in the same way.

The popular Dogecoin was created as a parody of Bitcoin. The creator honestly thought cryptocurrencies were silly and they would never be a viable payment or investment vehicle. He's now a billionaire because of Dogecoin. This and other success stories mean there will always be somebody releasing a new cryptocurrency.

