Introduction

So, you want to invest in cryptocurrency. Excellent. But how?

Quick history.

The ultimate goal of the average human being is to have all their needs met. To do that, you need the means. We don't know how it works on Jupiter or Mars, but here on Earth, the "means" is simply put, money.

Once upon a time, a man's wealth was mostly determined by the worth of his physical assets like property. However, some physical assets are barely valuable in the long run. They can be damaged or become obsolete.

Consequently, with the evolution of the money market came the emergence of increasing investments in financial assets; stocks, bonds, and cash.

Today, the money market has advanced to an era of digital asset investment, with cryptocurrency as the star of the show, gaining more traction in recent years.

Cryptocurrency: What is it?

There is truly no "simple" way to put cryptocurrency, but here's a go at it for beginners:

It is an internet-based medium of exchange that employs the use of cryptographic functions for financial transactions.

According to Wikipedia, it is a digital asset—and that implies that it's 100% computerized. Unlike paper money, the cryptocurrency does not exist in physical form and is not issued by a central authority. "Digital money," basically.

Bitcoin was the first decentralized cryptocurrency released in 2009 and still is the most widely used because of its high market capitalization, followed by Ethereum.

Fun fact: Early-stage investors in Bitcoin and Ethereum cryptocurrencies raked in profits in millions of dollars after. People still make this much, depending on their initial investment, of course.

The groundbreaking success of the early investors surged the value of Bitcoin from $750 to a jaw-dropping $20,000 by 2016. A year after, the market capitalization of cryptocurrencies was at an all-time $630 billion high!

The rave of this new digital asset investment spread like wildfire throughout the internet. Like you, people got to know of the lucrative cryptocurrency market and wanted to join the party.

However, this was/is the wrong reason to invest!

Cryptocurrency is not some Ponzi, get-rich-quick scheme. There are two sides to every story, and you probably have heard only one.

It is correct that a good investment has made people “overnight millionaires”, but it is also true that people have lost their entire life savings to one bad investment. We’re talking hundreds of thousands of dollars down the drain. How did it happen?

The scramble for a piece of the delicious crypto pie resulted in a flooded market by more speculators than before. Consequently, the market value nose-dived and investments crippled.

Don’t fret; if you are interested in safely investing in crypto, you’re in the right place.

The internet is overflowing with new information on this trend, and it is imperative to be well-equipped with the knowledge of the workings of crypto before investment.

This piece offers a guide aimed at educating potential investors on how to invest and earn good returns in the digital money market without falling prey to speculation, or worse, scammers. We will be using the word “cryptocurrency” and its diminutive “crypto” interchangeably; keep up!

The Nature of Cryptocurrency

The digital money market is the new cool because of its dynamic and exclusive nature.

Cryptocurrency also sets itself apart by virtue of its immutability. This implies that its value cannot be altered, as opposed to the case of other currencies like dollars and euros.

Another interesting nature of cryptocurrency is that it transcends geographical and political boundaries, making it non-manipulatable by a central governing authority.

No country owns crypto, it is a free global currency. As a matter of fact, enthusiasts predict that it is soon to assume the monopoly of the money market, a spot that has been held for years by fiat currencies like the dollar and euro.

Anticipate!

Why invest in cryptocurrency?

The first answer that comes to mind is the most obvious. Who doesn’t like a six-figure net worth at least? There is so much in the world to enjoy when you have the means, and a good investment puts you right on your way. There is also the advantage that your crypto investment gives you in the quite likely event Dollar loses its monopoly on the market.

Ideological motivation is another important reason people invest in crypto. When you believe in something, there is no gainsaying that you are willing to put in resources to propel it, right? Crypto is evolving as a movement, capturing the interests of millions of young people across the globe. On this massive scale, diverse people share a common social vision of free and hard money for the world—cryptocurrency.

As a result, there is a growing thirst for knowledge of its intricacies and how to succeed at it. That's why you're reading this, isn't it?

Curiosity may be considered a third reason; however, it is *very* tricky.

It seems similar to the "thirst" aforementioned, but it is not. Unbridled curiosity can turn out to be a recipe for financial disaster, especially when it is premised on the mere hope of making quick money from the hype surrounding the "latest trend."

Don't do this. *Do not try this at home, or anywhere.*

Curiosity should be followed by proper research before the actual investment.

Cryptocurrencies: The right investment attitude

To ensure a seamless and profitable investment, your attitude matters. It is why we highly recommend that new investors are fully informed about what to expect while dealing in cryptocurrency and prepare well ahead for possible setbacks.

Setbacks are a natural part of all human endeavors. The right approach to getting back on track is what determines success or failure.

In this segment, we shall examine the various dispositions that sum to a great investment attitude, with the spotlight still on the subject matter: cryptocurrency.

- SMART RISK-TAKING

Risks are inseparable phenomena of any investment. The instant you put your money into any system, you have signed up for the possible risks associated with it.

What distinguishes a good investor is his good eye for investment risks that are worth it in the end; it is never enough to be a reckless daredevil.

The erratic nature of cryptocurrency makes it a slipperier slope for investors and the risks involved are not limited to loss of profit and capital altogether. The growing popularity of the digital money market heightens the possibility of banning cryptocurrency exchange and trading. In effect, affected investors will not be able to liquidate their crypto assets.

The way forward? Risk only what you can afford.

It is correct that losing even the littlest amount of money can be such a pain, but better $1,000 than $10,000. The more the money, the harder the loss hits when it's lost; sometimes unrecoverable.

Why not invest smaller amounts and be safer? Be a bold risk-taker, but be smart and calculative about it.

- ADEQUATE AWARENESS

As an investor, the need to be up to date with the dynamics of cryptocurrency cannot be overemphasized. An important perk of living in this era is unlimited access to intelligence on any topic you are curious about.

You have decided to invest in a bunch of crypto coins already? Swell. The first step to be taken is to read their whitepapers. What are those, you wonder?

Think of whitepapers as manuals, but a little more advanced. They are problem-solving guides that serve the purpose of educating the reader about the said issue. The “issue” here is the crypto coins you are about to invest in.

You may think this to be quite tedious as these documents can be a handful to go through, but what’s a little extra work to ensure your investment is safe? Reading these whitepapers will equip you with in-depth knowledge about the coin, and all other kinks related to your investment.

Also, the quality of the whitepaper is a reflection of your potential investment project and the ICO involved. If it is poorly put together and the team provides no adequate details about the true utility of their token, you might as well make a run for it.

The attention span of the average human being is rather short. To put this better in context, we can take a cue from how you so briskly click on “accept” to terms and conditions without reading through. You may get away with it on your social media platforms, but the crypto investment is a whole new ball game.

Many ICOs are aware that a large percentage of investors won’t read through these whitepapers, and therefore do not put any effort into putting together a decent whitepaper. An ICO that falls in this category is not worthy of your investment.

The dangers of negligence are ripply in effect. Develop a positive attitude to adept research, and be well oriented before you invest.

Crypto Coins: Security Checks

So, you have just read a stellar whitepaper and you are ready to invest in a crypto coin. Can you go right ahead and hope to make your sweet bucks?

Maybe.

Or, you can take one more important step to secure your investment. There is no such thing as being too sure, or too safe—especially when it involves money.

We have put together a few questions to guide your security checks on your choice crypto coin. If you can find the right answers to all, then your crypto coin is well a goldmine.

- **Is your crypto coin/ project of value?** This is the first security question that must be ascertained for obvious reasons. You do not want to invest in a project with a value that dwindles into nothingness, taking your investment and profit with it. That’d be a disaster. A good way to measure the value of your project is to find out if it works to solve the issues that the world of cryptocurrency seeks to solve: scalability, privacy, and interoperability.

- **Is the ICO legit?** Many times, you can tell scammers apart from the real ones from a mile away. It's the basic things like their portfolio, names, and photos of team members, their website, the company's reputation—if at all it exists—and last but not least, their mode of operation.

  The Portfolio of any company is a pointer to whether or not they are worth your time and money. It is safer to invest in a company with acclaim and good standing. Start-ups may require extra background checks. Leave no stone unturned!

  Team members can be looked up on LinkedIn and other professional platforms you can access to ascertain their qualifications. Go through their names and faces thoroughly for any discrepancies. Their website may be fancily designed. Do not fall for it and look out for "catfishes."

  Mode of operation is where a lot of investors overlook, and fall victim to fraudulent investments. It should be reiterated that crypto investments are not Ponzi schemes. Any M.O that bears semblance to get-rich-quick schemes is a red flag that should not be ignored. The pyramid scheme is commonly used. Also, any ICOs that "guarantee" returns on investment are likely fraudulent. Cryptocurrency is a business of risks, and there are no guarantees. The use of such terms is bait for uninformed investors. Don't bite.

Cryptocurrencies: Purchase

Every form of purchase is based on a system of exchange. Essentially, when you want to buy anything, you exchange something of its value for it. To acquire your investment's worth in cryptocurrency, two forms of exchange exist:

- **Fiat Money to Crypto** enables you to exchange fiat money for its worth in cryptocurrency. Fiat money refers to money made a legal tender by a country's government, like the U.S Dollar. Before the crypto market gained huge traction, fiat to crypto was the prominent means of buying cryptocurrency. The reason is simple: people had more access to fiat money as it is the commonest commodity of exchange. To gain entry into the crypto world, new investors can give only what they have. You can purchase Bitcoin, Bitcoin Cash, Ethereum, or Litcoin using this medium of exchange.

- **Crypto to Crypto** involves the exchange of certain cryptos for other cryptocurrencies.

Is there a perfect time to buy cryptocurrencies? Tricky.

Cryptocurrency investment is not like farming where you have seedtime and harvest, but amid all the uncertainty, there are times you should ***not*** buy cryptocurrencies.

After weathering the storm of avoiding scammers and securing a good project, the ingenuity of an investor is once again put to test by the timing of his investment. We recommend that you avoid the extremes. There is a lot at stake, yet you do not have all the time in the world.

Don't rush to buy when the values are at an all-time high, do not buy when the value is unstable, and do not buy-in simply because there is a dip.

This may seem quite confusing, but the takeaway is to not be hasty. Observe, and time your risks wisely.

It is equally important to not be a desperate seller. Understand that your investment is your worth, and don't be a weak hand. The volatility of the crypto market calls for caution and balance on all fronts!

Cryptocurrencies: Storage

Congratulations on purchasing your cryptocurrencies! This is similar to purchasing a new designer watch, or a gold necklace. After buying it, you keep it someplace safe where it cannot be stolen or impaired, right?

Let's narrow it down to something much more relatable since we are talking finances—money. Cash.

When you withdraw cash from anywhere, you keep it somewhere private…like a wallet. Cryptos have wallets too, and they are the best storage for your cryptocurrencies. In the crypto space, there are two kinds of wallets; the hot and the cold wallets.

Interesting, isn't it?

- **Hot crypto wallets** are similar to your regular pocket wallets and are best suited for short time investments and snappy, regular transactions. A few places accept cryptocurrencies for small payments, and in such places, your hot wallet can be used for daily sending.

  You want to have only a little amount in your hot crypto wallet to avoid being robbed of all your crypto wealth by some determined hacker or cyber-criminal This category of crypto wallets is not as secure as cold wallets as it also prone to ransomware, and transactional errors. These risks can be minimized by having only small amounts in the hot wallet, and taking prompt back-up and restore steps.

  Your hot wallet is online-based like bank/cash apps and can be set up on your mobile devices for ease of access, and for seamless, user-friendly transacts. Have a go at it!

- **Cold crypto wallets**, on the other hand, work like fixed-deposit accounts; with restricted access to your funds over a period of time. They are offline storages for cryptocurrencies, and long term investors prefer this storage method. This is because cold crypto wallets are more fortified against cyber-theft and can house crypto funds for months or even years. They are also not available for quick transactions.

The gag, however, is that cold crypto wallets are harder to set up, and are still vulnerable to malicious actors.

Not to worry, taking all the right steps in advance, such as safekeeping your access codes, restoration deets, and privacy keys go a long way in averting these hazards.

Examples of cold crypto wallets include hardware wallets like USB drives or paper wallets. The latter bears some semblance to cards with QR codes on them, and are not commonly used in recent times. They were popular in the early 2010s and remain the safest wallets if you are a good record-keeper. They are also more useful for long-haul investors and can be stashed away in someplace safe.

USB wallets are more common, typically the Nano Ledger series. If you are going for this wallet type, it is vital to not use pre-owned hardware wallets. USB wallets can be misplaced or stolen, but with the right back-up system in place, you can control access to your funds remotely.

Conclusion

The crypto digital market is booming with new investors, as well as speculators. Naturally, parasites like hackers and cyber-frauds are on the rise as well.

As a result, the dominant theme in this piece has been the safety of your investment in your crypto endeavors. This is important to the credibility of the crypto market and its investors. There is no trivial or inconsequential step mentioned in this piece.

We highly recommend that you take every step as seriously as possible, and keep abreast of trends in the digital market while monitoring your investment.

An unexciting catch to a decentralized money market is that if things go awfully wrong, you have no one but yourself to blame.

In the crypto world, there is no central bank, no governing authority you can send an email to, and there are no customer service centers. Tread cautiously.

Trust is fickle when it comes to money. Ensure you share your private access information with only people you can trust, if at all. We also suggest that you have a database for all your passcodes and private keys in case of unprecedented events.

Nothing good comes free of charge. There are no tax exceptions for crypto investors in many states, and it is up to the designated body in your country to tax your crypto investment returns as the law demands.

What we do know is that most countries whose citizens invest heavily in cryptocurrency waive VAT for investors. You can take advantage of this if your country aligns with this. You can find out by looking up your country’s disposition to cryptocurrencies and the laws guiding the market there.

As cryptocurrency is yet to establish uniformly throughout the world, more laws will be put in place as each government deems fit.

The good news is that the longer the digital market is around, the more globally cryptocurrency will become accepted. Early birds will benefit the most from the growing popularity of crypto investment in the coming years, and you can be one of them!

Enjoy your experience in the crypto world!