



## *A Beginners Guide to Cryptocurrencies Newsletter*

### *History*

Cryptocurrencies have gone down a long, winding road in the past decade. Even though the general public has only stumbled upon cryptocurrencies over the past several years, there has been significant work that has led to this point. In fact, cryptocurrencies have a history that dates back more than a decade, to a time where Bitcoin didn't even exist.

### *What is cryptocurrency?*

Cryptocurrencies, or virtual currencies, are digital means of exchange created and used by private individuals or groups. Because most cryptocurrencies aren't regulated by national governments, they're considered alternative currencies — mediums of financial exchange that exist outside the bounds of state monetary policy. For instance, whereas a government can easily freeze or even seize a bank account located in its jurisdiction, it's very difficult for it to do the same with funds held in cryptocurrency — even if the holder is a citizen or legal resident.

### *How does it work?*

#### **Cryptography**

Cryptocurrencies use cryptographic protocols, or extremely complex code systems that encrypt sensitive data transfers, to secure their units of exchange. Cryptocurrency developers build these protocols on advanced mathematics and computer engineering principles that render them virtually impossible to break, and thus to duplicate or counterfeit the protected currencies. These protocols also mask the identities of cryptocurrency users, making transactions and fund flows difficult to attribute to specific individuals or groups.

## **Blockchain Technology**

A cryptocurrency's blockchain is the master public ledger that records and stores all prior transactions and activity, validating ownership of all units of the currency at any given point in time. Identical copies of the blockchain are stored in every node of the cryptocurrency's software network which are decentralized server farms, run by computer-savvy individuals or groups of individuals known as miners, that continually record and authenticate cryptocurrency transactions.

A cryptocurrency transaction technically isn't finalized until it's added to the blockchain, which usually occurs within minutes. Once the transaction is finalized, it is usually irreversible. The blockchain prevents double-spending, or the manipulation of cryptocurrency code to allow the same currency units to be duplicated and sent to multiple recipients.

## **Decentralized Control**

Cryptocurrencies' supply and value are controlled by the activities of their users and highly complex protocols built into their governing codes, not the conscious decisions of central banks or other regulatory authorities.

## **Private Keys**

Every cryptocurrency holder has a private key that authenticates their identity and allows them to exchange units. Users can make up their own private keys, which are formatted as whole numbers up to 78 digits long or use a random number generator to create one. Once they have a key, they can obtain and spend cryptocurrency. Without the key, the holder can't spend or convert their cryptocurrency rendering their holdings worthless unless and until the key is recovered.

## **Cryptocurrency Wallets**

Cryptocurrency users have wallets with unique information that confirms them as the owners of their units. Wallets can be stored on the cloud, an internal hard drive, or an external storage device. Regardless of how a wallet is stored, at least one backup is strongly recommended.

## **Miners**

Miners serve as record-keepers for cryptocurrency communities, and indirect arbiters of the currencies' value. Using vast amounts of computing power, often manifested in private server farms owned by mining collectives that comprise dozens of individuals, miners use highly technical methods to verify the completeness, accuracy, and security of currencies' blockchains.

## ***Uses of cryptocurrency***

### **Money Transfer**

Sending and accepting payments at low cost and high speed is one of the most well-known applications of cryptocurrency that almost everyone is aware of. The increased interest is shown by retail banking clients, fintech, venture capital funds, and institutional investors in this financial vehicle and distributed ledger technology.

### **Alternative Store of Wealth**

Unlike cash, digital payments like cryptocurrencies behave like a secured alternative store of wealth, which is censorship resistant. This means only the authorized people with the private keys can access wallets, unlike traditional banks that are vulnerable to hacks, thefts, and malpractices. Hence, no personal digital wallet can ever be frozen by authorities.

### **Investment**

Owning cryptocurrency can increase a portfolios diversification since most cryptocurrencies have historically shown almost no price correlation with the U.S. stock market. It is forecasted that cryptocurrency usage will become increasingly widespread over time, hence it makes sense for most of the investors to buy some crypto directly as part of a diversified portfolio.

## *Best cryptocurrencies by market capitalization*

These are the 10 largest trading cryptocurrencies by market capitalization as of Sept. 30, 2021

Cryptocurrency	Market Capitalization
Bitcoin	\$821 billion
Ethereum	\$353 billion
Tether	\$68 billion
Cardano	\$67 billion
Binance Coin	\$64 billion
XRP	\$44 billion
Solana	\$41 billion
USD Coin	\$31 billion
Polkadot	\$28 billion
Dogecoin	\$26 billion

**Sources:**

<https://bitcoin.org/en/faq#what-if-someone-bought-up-all-the-existing-bitcoins>

<https://www.forbes.com/advisor/investing/top-10-cryptocurrencies/>

If you are interested in discussing crypto assets or adding them to your portfolio, please feel free to call me at 215-325-1595 or set an appointment to talk using this link [Click here to schedule a meeting](#).

Broadhurst Financial Advisors now has the ability to add a small (1 to 5%) allocation of this new and unique asset class to your portfolios for the clients that are interested in adding more diversification and potential return to their holdings.



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