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What You Need to Know about Crypto

While you probably have heard of “bitcoin”, you may not really know what it is. You are not alone. Think of it as “digital gold.” Like gold or dollars or yen or euros, bitcoin is considered a currency, except for one big fundamental difference: it is not backed or controlled by country, authority or bank. Research shows that many people are intrigued by cryptocurrency, but not sure what it’s all about. If you have ever thought: “I really need to learn more about cryptocurrency or bitcoin,” we understand! Let’s crack the code.

Why is the Cryptocurrency Swell Rising?

There isn’t just bitcoin. The ecosystem of cryptocurrencies is exploding. What is going on?

We have written extensively about our concerns that the U.S. government (and others around the world) are spending trillions and trillions of dollars they do not have and cannot pay back. Like a codependent partner, the Federal Reserve is shelling out the dollars the U.S. government needs by directing the Treasury Department to literally print new dollars.

It should be no surprise, then, that there are more and more currencies created out of thin air digitally rather than on the Treasury’s printing press. Crypto evangelizers question the faith in traditional currencies, or at least support the concept that a digitally created currency is just as valid as a U.S. dollar.

Will the Crypto Waves Crash?

Crashing prices are the biggest risks for any of these cryptocurrencies. Crypto prices can go up fast in a day or even an hour. They can also crash down on your head fast.

Over the past weekend, for instance, when the stock and bond markets were closed, many cryptos lost 10-20% or more. That is a bad year in the stock market. We caution against throwing too much of your wealth into any of these cryptos. However, the white-hot gains may be worth it for some “shoot the moon” money. Read on for how to participate.

How to Ride the Tsunami

We are intrigued by Ethereum, the second largest (by value) of the cryptocurrencies. Ethereum is not just a virtual currency, but also a technology that can be used in real-life applications. Similarly, we put NEO at the top of the list; think of it as the Chinese Ethereum. Bitcoin, as the first and most well-known currency, has one key advantage versus all the others: there is a limit to how many bitcoins will ever be created so that scarcity could buoy demand and prices.

To buy a cryptocurrency, open an account on eToro, RobinHood or Coinbase and follow the steps to transfer funds from a bank account. The process only takes a few minutes and we recommend eToro.

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