



RETIREMENT & FINANCIAL PLANNING CORNER

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MAY 2021 – CRYPTOCURRENCY



WHAT IS CRYPTOCURRENCY

Cryptocurrency is decentralized digital money, based on blockchain technology. You may be familiar with the most popular versions, Bitcoin and Ethereum, but there are more than 5,000 different cryptocurrencies in circulation, according to CoinLore.

It is a digital currency that is created and managed through the use of advanced encryption techniques known as cryptography. Cryptocurrency made the leap from being an academic concept to (virtual) reality with the creation of Bitcoin in 2009.

Cryptocurrencies such as Bitcoin are digital currencies not backed by real assets or tangible securities. They are traded between consenting parties with no broker and tracked on digital ledgers.

Unlike the U.S. Dollar or the Euro, there is no central authority that manages and maintains the value of a cryptocurrency. Instead, these tasks are broadly distributed among a cryptocurrency's users via the internet.

Transactions are verified by a decentralized system and then distributed on a blockchain (a digital public ledger) as a public account of records. This prevents the user from spending the coin multiple times, acting as a check and balance to regulate use.

<https://www.investopedia.com/articles/forex/091013/future-cryptocurrency.asp>

<https://www.globalbankingandfinance.com/the-future-of-cryptocurrency-in-the-ecommerce-industry/>

<https://www.forbes.com/advisor/investing/what-is-cryptocurrency/>

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ADVANTAGES OF BITCOIN

Anonymous & Private - Bitcoin transactions are completely anonymous and private.

Payment Freedom - Bitcoin can be transferred to any person in any part of the world.

Low/Minimal Fees - Paying through Bitcoin has very low to no transaction fees at all.

Fewer risks for merchants - Bitcoin transactions are secure, irreversible, and do not contain any customers' sensitive or personal information.

It's fast - Bitcoin transactions are very fast if compared to banking channels.

Central governments can't take it away - The government cannot take back your Bitcoins as it is decentralized and no one has control over it.

People may not be able steal your payment information from merchants - Bitcoin transactions don't require you to give up any secret information.

Non-Inflationary - Only 21 million Bitcoins will ever be created and this is known to everyone. This means that after all the Bitcoins have matured, the number of bitcoins cannot grow and thus inflation won't be a problem.

<https://kryptomoney.com/advantages-and-disadvantages-of-bitcoins/>

<https://kryptomoney.com/best-bitcoin-wallets-to-safely-store-bitcoins/>

<https://kryptomoney.com/protecting-cryptocurrencies/>

<https://kryptomoney.com/bitcoin-mining/>



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DISADVANTAGES OF BITCOIN

- **Bitcoin Is Still In Development** - The transaction speed and fees tend to vary depending on mining efficiency and network congestion.
- **Converting Bitcoins** – converting into fiat incurs fees which are often costly.
- **Accepting Bitcoin** - Not every shop or service provider. The number is growing, though.
- **Un-Reversible Transactions** - Bitcoin transactions are immutable, meaning that once the money leaves your wallet, there is no way to get them back. Although many reputation management tools are being developed, “buyer’s protection” is not the thing with Bitcoin yet.
- **Loss of Private Keys** - Most people are not ready to take full responsibility for their assets and could not manage their private keys securely. Many private Bitcoin keys have been lost beyond recovery, thus contribution to Bitcoin’s deflation and appreciation in value.
- **Education** - Learning all the existing ins and outs of the Bitcoin ecosystem presents a steep learning curve. The user interface in most Bitcoin apps is still not foolproof, and the network is not ready for serving everyone in the world.
- **Cyber Security** - Securing Bitcoin requires basic cybersecurity knowledge and awareness. While the network is virtually unhackable, organizations and individual users are.
- **Resistance** - The core ideology of Bitcoin goes against the most powerful institutions, governments, politics, banks, regulators, and censorship, and is likely to meet much resistance before these players can tolerate or approve it.
- **Regulatory Oversight** - Little to none regulatory oversight when things go south.

<https://cryptonews.com/guides/bitcoin-pros-and-cons.htm>

<https://kryptomoney.com/advantages-and-disadvantages-of-bitcoins/>

<https://www.forbes.com/sites/mikeswigunski/2021/04/17/how-cryptocurrency-will-transform-the-future-business-forever/?sh=57c833e54368>

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