



Bitcoin 101

Will you take the Orange-Pill?

MakeCryptoSimple



INTRODUCTION

Welcome to "Bitcoin - Made Simple," an essential guide designed for those eager to optimize their financial future in the evolving digital economy. If you're seeking an opportunity to make your money work harder and smarter, Bitcoin might just be the financial frontier you've been waiting to explore.

Bitcoin is more than just a trending topic—it's a groundbreaking form of decentralized digital currency that operates without the need for a central bank. It's an asset that's seen impressive returns over the past decade, outpacing traditional investments and captivating the attention of individual and institutional investors alike.

But let's face it, Bitcoin can seem complex and daunting with its unique terminology and technology. That's where this guide comes in. We're here to translate the jargon, simplify the concepts, and provide you with the practical knowledge needed to navigate the Bitcoin ecosystem.

Our guide will walk you through Bitcoin's underlying technology—blockchain, and explain why it's considered revolutionary. We'll delve into how Bitcoin transactions work, how you can buy and sell Bitcoin, and importantly, how to secure your digital assets against potential threats.

So if you're ready to take control of your financial future and dive into the intriguing world of Bitcoin, you've come to the right place. Let's get started.

Bitcoin

"I do think Bitcoin is the first [encrypted money] that has the potential to do something like change the world."

- Peter Thiel (Co-Founder of Paypal)

"It's money 2.0, a huge huge huge deal."

- Chamath Palihapitiya (Previous head of AOL instant messenger)

"At its core, bitcoin is a smart currency, designed by very forward-thinking engineers. It eliminates the need for banks, gets rid of credit card fees, currency exchange fees, money transfer fees, and reduces the need for lawyers in transitions... all good things"

- Peter Diamandis (Entrepreneur)

"Bitcoin, and the ideas behind it, will be a disrupter to the traditional notions of currency. In the end, currency will be better for it."

- Edmund C. Moy (Former Director US Mint)

"Spend some time with Bitcoin. Learn it, challenge it, and use it. You can assume no government wants you adopting this system in any capacity, and for that reason alone it's worth consideration by honest, moral, and industrious people"

- Erik Vorhees (Founder, ShapeShift)

At some point, it will become riskier to not own bitcoin, than it is to own it. Will you be early, or late?



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What is Bitcoin?

Bitcoin is a form of digital currency that enables individuals to send and receive money online without the need for an intermediary, such as a bank or payment processor.

It was invented in 2009 by an anonymous person or group that goes by the name of Satoshi Nakamoto. Bitcoin is based on a decentralized technology called blockchain, which ensures the security, transparency, and irreversibility of every Bitcoin transaction.

Contrary to conventional money, which is regulated and issued by governments and financial institutions, Bitcoin is not managed by any central authority. Consequently, no one can control or manipulate Bitcoin's supply, which is capped at 21 million units. Bitcoin is divisible up to eight decimal places, allowing people to purchase as little as 0.00000001 Bitcoin.

Bitcoin is stored in digital wallets that can be accessed via a computer or mobile device. These wallets contain private keys, which are used to sign and authenticate blockchain transactions. Every time a Bitcoin transaction is made, it is recorded on the blockchain, a distributed ledger maintained by a global network of computers. This ensures that all transactions are visible to everyone and can be verified by anyone.

Okay.. but how does Bitcoin work?

Bitcoin operates using a decentralized technology known as blockchain - a public ledger of all Bitcoin transactions that have ever taken place. The blockchain records each transaction in a block, and every block is linked to the preceding one, forming a chain of blocks that is virtually impossible to alter.

When a Bitcoin transaction is initiated, it's broadcast to the network of computers, known as nodes or miners, that maintain the blockchain. These computers verify the transaction and add it to a pool of unconfirmed transactions. Miners, who receive Bitcoin rewards as incentives, then compete to solve a mathematical puzzle that allows them to add the next block to the blockchain. The machine that solves the puzzle first adds the block to the chain, and its owner receives newly minted BTC.

Once a block is added to the blockchain, the transactions it contains are deemed confirmed and irreversible. This process guarantees that every Bitcoin transaction is secure, transparent, and tamper-proof. Bitcoin transactions are made with public and private keys. Public keys function as a Bitcoin address and are used to receive Bitcoin, whereas private keys, acting like a password, are used to sign and authorize transactions. It's imperative to keep your private keys safe and secure, as anyone with access to them can spend your Bitcoin.



Let's Rewind - Bitcoin History

Bitcoin was first introduced in 2008, when an individual or group using the pseudonym Satoshi Nakamoto published a paper titled "Bitcoin: A Peer-to-Peer Electronic Cash System." The paper outlined a digital currency that could be transferred directly from one person to another, eliminating the need for intermediaries such as banks. This innovation emerged as a response to the 2008 financial crisis.

In 2009, the initial Bitcoin software was launched, and the first block of the Bitcoin blockchain, known as the genesis block, was mined. Throughout the years, Bitcoin has experienced numerous ups and downs. In 2011, the price of Bitcoin ascended from \$1 to \$30 before plunging back down to \$2. In 2013, the price of Bitcoin surged to nearly \$1,000, only to plummet once again to around \$200 in early 2015.

Since then, the price of Bitcoin has oscillated significantly, marked by periods of swift growth and sharp declines. Despite these fluctuations, Bitcoin's popularity and adoption have steadily increased. Today, millions of people worldwide use Bitcoin for various purposes, such as a means of payment, an investment, and a store of value.

Benefits and Drawbacks

Compared to traditional money and the conventional financial system, Bitcoin has several advantages and disadvantages.

Benefits:

1. **Decentralization:** Bitcoin is not governed by any central authority, rendering it resistant to censorship and manipulation.
2. **Security:** Each Bitcoin transaction is recorded on a transparent and secure blockchain, making it virtually impervious to alterations or counterfeiting.
3. **Speed and Affordability:** Bitcoin transactions can be processed within minutes and usually incur minimal transaction fees compared to traditional methods.
4. **Privacy:** While Bitcoin transactions are transparent, they do not disclose any personal information about the parties involved in the transaction.

Disadvantages:

1. **Volatility:** The price of Bitcoin is highly volatile and can vary considerably within short periods, rendering it a risky asset.
2. **Limited Acceptance:** While Bitcoin's adoption is on the rise, it is not yet widely accepted by merchants and businesses.
3. **Scalability:** The current infrastructure of the Bitcoin network restricts the number of transactions that can be processed simultaneously, resulting in slower transaction times during high-demand periods.
4. **Irreversibility:** Once a Bitcoin transaction is confirmed and added to the blockchain, it cannot be reversed. Consequently, if Bitcoin is accidentally sent to an incorrect address, recovery may not be possible.



The growing acceptance of Bitcoin by central banks, hedge funds, pension funds, and individual investors is projected to diminish the currency's volatility.

Despite occasional periods of stagnation, Bitcoin's finite supply of 21 million coins is likely to entice more individuals, corporations, and governments who wish to take advantage of the potential benefits and avoid missing out.

Although the Bitcoin blockchain encounters scalability issues, solutions like the Lightning Network are being developed to improve its performance.

Bitcoin offers unique advantages in terms of value preservation. One of the most significant is its restricted supply of 21 million bitcoins. This finite supply lends Bitcoin a level of stability, making it less susceptible to sudden value drops compared to fiat currencies, which can be printed without restriction.

For individuals residing in countries grappling with rapidly depreciating currencies, Bitcoin can serve as a vital instrument for preserving wealth. Consider the advantage if you resided in Argentina or Venezuela, where inflation can easily escalate into double or even triple digits.

Guidelines for setting up a Crypto Wallet

The best way to understand crypto is to try it.

- A crypto wallet is a digital instrument that facilitates the storage, sending, and receiving of BTC and other cryptocurrencies.
- There are several kinds of wallets to select from, but browser wallets, which can be installed on your computer, are the most prevalent.
- Notable wallets include Metamask, Shapeshift, Keplr, Rabby, and Trust Wallet.
- Upon setting up your wallet, you can get BTC either by purchasing them from an exchange or receiving them as payment for goods and services.
- You'll need to create an account with an exchange such as Coinbase, Kraken, or Binance, where you can procure your BTC. After using the exchange to get your crypto, you can transfer it to your software wallet. This ensures that you keep full ownership and control of the assets, rather than the exchange. It's akin to taking your money from the bank and keeping it in your possession.
- When possible, consider investing in a cold wallet or hardware wallet to store your private keys offline.



Bitcoin Scalability and the Lightning Network

- Bitcoin faces a significant obstacle in its scalability, defined as the capability to process a high volume of transactions swiftly and efficiently.
- The Lightning Network is a Layer 2 scaling solution that enables faster and cheaper Bitcoin transactions by establishing off-chain payment channels between users.
- By opening a payment channel with another user, transactions can be conducted instantaneously and with minimal fees, eliminating the need to wait for the transaction to be verified on the blockchain.
- The Lightning Network holds the potential to substantially enhance Bitcoin's scalability, making it a more practical option for routine transactions.
- As time progresses, BTC will become increasingly user-friendly due to its open-source nature that allows for forks of the project and Layer-2 solutions to add value to the underlying Bitcoin Network.



Bitcoin Mining

- Bitcoin mining is the process that involves adding new transactions to the blockchain and verifying their authenticity.
- Miners employ high-performance computers to solve intricate mathematical equations; the successful miner who solves the problem first will be rewarded with freshly minted bitcoin.
- The mining procedure also contributes to network security by deterring fraudulent activity. All miners must agree on the transaction data before it's appended to the official record.
- Given that miners are dispersed worldwide, gaining control over more than half of the miners would be an extremely challenging endeavor.
- Mining is resource-intensive, necessitating a considerable amount of electricity and computational power.
- Many miners join mining pools to pool their resources and enhance their chances of securing a reward.
- While it isn't necessary to mine in order to use bitcoin, the process is crucial in maintaining the network's integrity and security.

Are people using Blockchain?

In this increasingly digital world, people from every corner of the globe are turning to cryptocurrencies. Particularly in countries plagued by inflation and unstable economies, crypto investments serve as a protective shield for individuals' wealth. Meanwhile, blockchain technology, the foundation of these digital currencies, provides a platform for fast, economical, and publicly verifiable peer-to-peer transactions. As the technology continues to evolve, its usability is expected to become even more straightforward and user-friendly.

On the business front, corporations worldwide are integrating blockchain technology into their systems. They are leveraging its potential to optimize operations, cut costs, and heighten efficiency.

In essence, by purchasing native cryptocurrencies, you are not just buying a digital asset. You're acquiring a stake in the underlying blockchain, positioning yourself to potentially benefit from the growing adoption and development of this transformative technology.

Using Bitcoin in Practice

Bitcoin is not just a theoretical concept or a hobbyist project, but it has become a practical tool with numerous real-world applications.

Bitcoin for Inflation Protection

Bitcoin is being used as a hedge against inflation all over the world. Unlike fiat currencies, which can be printed without limit, Bitcoin has a limited supply. Only 21 million Bitcoins will ever exist, and currently, around 18 million have already been mined. This scarcity is one of the factors that give Bitcoin its value.

In countries where the local currency is rapidly losing value due to inflation, Bitcoin has become an increasingly popular option for those looking for a store of value.

Bitcoin as a Payment Method

Another use cases for Bitcoin is as a payment method. Many merchants and businesses now accept Bitcoin as a form of payment, and some even offer discounts for customers who use it. Bitcoin transactions are processed quickly and securely, without the need for intermediaries like banks or payment processors.

Using Bitcoin for payments also offers more privacy than traditional payment methods. Transactions are pseudonymous, which means that they are not linked to an individual's personal information.

Transactions on the Bitcoin network are typically much cheaper than traditional payment methods, especially for international transactions. However, fees can vary depending on network congestion and transaction size.



Bitcoin for Charity

Bitcoin has also become a popular way for individuals and organizations to donate to charitable causes and support social impact initiatives.

By using Bitcoin, donations can be made anonymously and securely, without the need for intermediaries like banks or other financial institutions. Additionally, Bitcoin transactions can be tracked on the blockchain, providing greater transparency and accountability in charitable giving.

Many charitable organizations have started to accept Bitcoin donations, including the Red Cross, United Way, and Save the Children. Bitcoin donations can also be used for disaster relief efforts, as seen in the case of the 2017 Hurricane Maria disaster in Puerto Rico.

More recently, we've seen BTC being donated to help truckers in Canada and those suffering in Ukraine.

Is BTC The Future?

- Bitcoin has the potential to be the future of money due to its decentralized nature, security features, and limited supply.
- A decentralized currency like Bitcoin is not subject to the same risks as traditional currencies, which can be manipulated by governments or centralized institutions.

Eventually, it will become more risky to not own BTC, than it is to own it.

- Its security features make it virtually impossible to counterfeit or double-spend, which creates a "trustless" system.
- With a limited supply of only 21 million BTC, Bitcoin has the potential to be a deflationary currency, meaning that its value may increase over time.
- These factors make Bitcoin an attractive option for investors and individuals looking for an alternative to traditional currencies.
- Crypto, BTC being the biggest, is simply a new asset class, and belongs in everyone's portfolio at some level.

Is it in yours?

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