

10 Most Important Things Someone Should Consider Before Investing Into Crypto

Today we're gonna talk about the ten most important things investors should consider before they invest into a cryptocurrency. These aren't in any particular order but are all important things to consider that you may not have thought about.

#1. Size of a community.

Does the crypto have an active presence on Reddit? Is there a telegram channel or slack channel? Are those channels active and growing? You also want to check out different Facebook groups as well as twitter activity to see how active the community is.

If you've got a project that hasn't posted anything on Twitter in three months and no one's using their hashtags and there is little to no engagement that could mean there isn't a lot of interest in the project.

Having little activity is not always a deal breaker... especially if the project is new and little activity would tend to lead to buying low.... But it doesn't guarantee selling high.

#2 Ongoing development.

Is there a community of developers who actively working on the coin? One of the best places to check is GitHub.

-See if there has been recent activity.

-How many people are committed to the project?

#3 Hashing Power

Another thing to evaluate is hashing power.

What do I mean by hashing power?

Hashing power refers to how much work it is actually going in these chains to help secure the network.

Cryptocurrencies like Bitcoin are "Proof of Work" chains. Proof of Work Cryptos rely on thousands of specialized computers often referred to as ASICS to secure the network. Bitcoin has a massive network compared to every other proof of work chain.

This poses a problem for other proof of work chains because it would only take a relatively small percentage of Bitcoin's hashing power to 51% attack another chain.

This of 51% attack like a democracy. By democracy I mean that 6 wolves vote to eat the 4 sheep for dinner. In this case the attackers can undo previous transactions and steal users funds. There is much more to it than what I've described, but you get the point.

#4 Founders Backgrounds

Who are the founders?

What is their background? What projects have they worked on in the past? What are those projects track records? What did other people say about their experience working with said individual(S).

Have they been implicated in any schemes or pump and dumps?

Investing into a crypto and not knowing anything about their founder can be a risky endeavor? Would a Wall Street fund manager invest into stock and not know who the CEO is... of course not.

Now with that said no one knows who Satoshi is but Satoshi did have an ingenious white paper and plenty of correspondence in the early days where Cypher punks could vet whether they or it was legit.

#5 Supply of Coins-

Comparing USD Price of an Alt to Bitcoin without taking into account Supply differences.

Often times crypto newbies will say "Hey this crypto is trading at 37 cents and bitcoins over \$10,000. Well if this Crypto's price gets to half of what bitcoin is trading at someday... and if I invest a little bit of money into it now to buy thousands and thousands of coins... then this is a sure-fire way to get rich."

First off, that line of thinking is a sure-fire way to lose a bunch of money.

Second, it is important to distinguish investing from speculating, as Crypto-currencies are pretty much the definition of a speculative instrument.

When it comes to evaluating the price of a coin, it's amazing how many people don't take supply into account. What people don't understand, is that some coins out there have a supplies of 100 Billion or more, whereas Bitcoin's supply is only 21 million. As of the middle of 2019 there has been around 17.8M Bitcoins mined and some people have estimated that around five million Bitcoin's have been lost.

#6 Was there a pre mine?

A pre mine refers to the founders initial cut in the crypto currency. It is common for the founder to lets say... take 20% of the initial supply for themselves. This is referred to as a pre mine and can sometimes be the hallmark of a pump and dump.

#7 Ongoing fee's going to founders?

Another way founders are incentivized is to take a certain percentage of the crypto's fee's. Sometimes this is done in perpetuity and sometimes you see this going on for a limited number of years.

One of the more popular coins that pays out to the founders is Z Cash.

In the case of Z Cash their [ongoing allocations are as follows:](#)

- 80% of issued Zcash is rewarded to miners (175,000 ZEC per month).
- 3% is going to the Zcash Foundation (6,563 ZEC per month).
- 2.8% is going to the Zcash Company (6,125 ZEC per month).
- The remaining 14.2% is allocated to 44 employees, advisors, and founders. 0.9%, or 2,033 ZEC per month, is for Zooko (this works out to roughly \$4.2M/year based on \$170/ZEC). This was the primary point of contention for many people.

#8 Is there even a need to Tokenize this?

It is amazing how overlooked this simple question is. We've heard the saying... "If all you have is a hammer, everything you see is a nail".

To many people in 2017, they saw the world as their nail and with the advent of ERC-20 Tokens, people were trying to tokenize any and everything.

There was and as of this writing even a coin meant for Dentists? Seriously... there is a coin for dentists.

Why can't dentists just use Bitcoin? If you are thinking well of course they can just use Bitcoin then make sure you ask yourself that next time you are looking into a project.

#9 Is this a Get Rich Quick or Ponzi scheme? / Is there a lot of Marketing Hype and focus on price.

I can't tell you how many times I've seen people promoting schemes where if you contribute .01 bitcoin and they promise to give you a full bitcoin back either now or in the future.

Even though this wreaks of being an obvious fraud... you'd be surprised at what people fall for. Then again... people still fall for the Nigerian Prince emails.

Falling for hype is another major problem.

If the founders or a coin and community are overly trying to hype their project and are entirely focused on price, that is an immediate red flag to look for when evaluating a project.

A good founder is focused on how their project can add value to people's lives and how they can improve the ecosystem. If the

problem you are trying to solve is one people are willing to pay to have fixed.. then the free market should take over and the side effect should be a higher price.

In 2017, too many founders were focused on how they can increase the price and often times this revolved around creating lofty promises, unrealistic expectations, promissory statements such as "Invest now because we guarantee you'll make 1000% returns.. easy" and all sorts of other fluff that has nothing to do with actually creating a product people want to use rather than speculate on.

One of the most infamous hype men and certainly the most infamous hype man in crypto is "The Bitconnect Guy".

Believe me.. if you want to see the anatomy of what not to go by when it comes to investing.. this is it.



The Crypto industry is rife with pump and dumps, whereby a group of individual's create or buy a very low market cap coin. They then recruit a bunch of other people into that coin for the sole intent of offloading the coins they acquired at a price that is oftentimes several hundred percent less than what later investors paid. Now making money and investing early is what we're all trying to do. However, some people are using nefarious and deceitful methods to trick others into buying something they have a large bag of. Large bag refers to owning a lot of that coin.

An honest person will tell you about a project they have a large bag of because they believe in the project. A scammer will tell you about a coin (pump it), for the sole intent of having enough temporary interest to cause the price to skyrocket for the sole purpose of unloading their bag.

This isn't suggesting everything that rises in value is a scam. It is being cognizant that MANY of these pump and dumps exists. Some more than likely even exist within noteworthy projects but due to low market caps and low volumes, it is relatively easy to manipulate these markets.

#10 Evaluate the features of the coin

What are the transaction speeds? What is the roadmap to possibly increasing the speed?

What are transaction prices?

Are transaction peer to peer or are they routed through a central point of command?

Is the coin private or is it only Pseudo anonymous?

How secure is the coin?

Have they taken quantum computing into account?

Is there another coin doing similar things?

Bonus: Tax Impact of Investing

Another important aspect to consider is the tax implications.

If you have an asset that you think is going to sky rocket... It may be a good idea to have that asset in a tax advantaged instrument such as a Roth Ira.

With a Roth Ira all gains are tax free!

Shameless plug. The Liberty Advisor Tim Picciott CFP® CRPC® can help you use part of your Ira, Roth IRA or Retirement account to invest into Crypto. Now more than likely you already know this because you are after all reading this aren't you 😊.

If you don't have a retirement account and you happen to invest into an asset that exploded in value you can then head to Bitcoinearlyadopter.com to learn the "**Top 10 Things You Need To Know When Sitting on Massive Crypto Capital Gains**".

Hopefully this list is something that you can use to build upon your foundational knowledge of Bitcoin and Crypto Currencies.

Sincerely,

Tim Picciott CFP® CRPC®

The Liberty Advisor

