



THE BEGINNERS GUIDE
TO BITCOIN PROFITS

BITCOIN BREAKTHROUGH



INTRODUCTION

Now is a very good time to take an interest in Bitcoin and invest in it. It has been going strong for 10 years and its popularity has soared. In order to make the best returns on Bitcoin investments you need to understand what it really is and how it works.

You also need to know the best way to obtain Bitcoins and the best investment strategies. This guide will show you all of this and more. Many people think that Bitcoin is a scam but it certainly isn't. However there have been some scams in the cryptocurrency world and you will find out how to avoid these and stay safe in this guide.

We have worked hard to ensure that everything in this guide is explained in the simplest ways. Bitcoin and the underlying blockchain technology are fairly complex but you will be able to easily understand by reading this guide.

Bitcoin started out with a value of zero and has hit highs of \$10,000. It is a valuable commodity and once you have your Bitcoins you need to keep them safe. You will learn exactly how to do that.

Although Bitcoin is a volatile commodity it should be possible for you to make a good return on your investment if you follow the advice in this guide. While there are no guarantees with any form of investing, the advice provided here has worked well for others in the past.

WHAT IS BITCOIN ?



CHAPTER 1

You have probably heard of Bitcoin but you may not be completely sure what it is. That's OK because by the time you have read through this guide you will know what it is and how you can make money with it.

Bitcoin is a cryptocurrency which is another term that you need to be familiar with. The other important thing that we will explain is the technology behind Bitcoin and most other cryptocurrencies which is blockchain.

Before we get into the details of Bitcoin, it is important that you understand what cryptocurrencies are and how they work.

What are Cryptocurrencies?

In basic terms a cryptocurrency is a medium for exchange online. A cryptocurrency has a number of cryptographical functions which are there to support financial transactions. Most cryptocurrencies use the blockchain technology platform (more on this a little later) as it offers immutability, transparency and decentralization.

Cryptocurrencies are not controlled by any central powers – not yet at least. This is deliberate because the whole idea of cryptocurrency and Bitcoin is that they provide immunity from government interference and control.

A cryptocurrency can be transferred from one person to another by using public and private keys. There are minimal processing fees involved with cryptocurrency transactions which are part of their appeal. Usually financial institutions have high charges for any monetary transaction.

Cryptocurrencies were invented by accident. The inventor of Bitcoin, Satoshi Nakamoto, created a peer to peer electronic cash system and Bitcoin was a byproduct of this system. Before this there had been numerous attempts to create a digital cash system but all had failed.

The key to the success of Nakamoto's system was that it provided a decentralized financial network rather than the established centralized system. If you wanted to set up your own digital cash system you would need to create a payment network that provided three key things:

1. Accounts
2. Balances
3. Transactions

A problem that all payment networks face is "double spending". This is all about preventing spending the same amount twice. Up until the creation of Nakamoto's system this had always been achieved using central server balance records (this is still in existence today).

With a decentralized payment network there is no central server. Instead every single network entity or node has to perform its job properly. They all need to have a list of transactions so they can monitor if future transactions are a "double spend" or valid.

All of the peers of a decentralized payment network have to agree on everything – there has to be complete consensus. If this doesn't happen then the transaction will not take place. The problem was how to achieve this total consensus without a central server. Nakamoto figured this out.

The Transaction Properties of Cryptocurrencies

In order for a cryptocurrency system to work effectively there has to be a number of properties in place. These are:

Immutable

After a cryptocurrency transaction is confirmed then it cannot be changed. Nobody in the world can change a cryptocurrency transaction not even presidents or monarchs. It is an immutable record.

Basically if you send money to someone else that's it. There is no turning back. So if you make a mistake or get scammed then you are stuck with the situation. You do not have the opportunity to reverse the transaction.

Pseudonymous

Cryptocurrency accounts and transactions have no connection to real world identities. You will receive a Bitcoin on an address which is a randomly seeming chain of about 30 characters. You can analyze the transaction flow but you can't usually connect the transaction to a real person through the address.

Global Transactions at Speed

It doesn't take long to propagate transactions and confirm them. Usually this all takes place in minutes. The network for cryptocurrency transactions is global so it doesn't matter where the transaction originates and terminates.

High Security

The highest levels of transaction security are essential for a cryptocurrency network and to this end all funds are locked in a public key cryptography system. Only someone that has a private key can send cryptocurrency. This makes the system extremely secure.

No Permissions

A cryptocurrency system is a "permissionless" system. You do not require the permission of anyone or any authority to make a cryptocurrency transaction. There is no gatekeeper with a cryptocurrency system.

The Monetary Properties of Cryptocurrency

Now you know the transaction properties of cryptocurrency you need to understand the monetary properties. These are:

There is a Controlled Supply

Most cryptocurrencies have a limit on the number of tokens supplied. Taking Bitcoin as an example there will be a decrease of supply over time and experts estimate that the final number of Bitcoin tokens will happen around 2140. Experts say that only 21 million Bitcoins will be the limit.

To control the supply of cryptocurrency tokens a schedule is written in the underlying code. Using this code you can approximately calculate today the monetary supply of a cryptocurrency for any given future date.

Bearer not Debt

With conventional or "fiat" money underwritten by a government, the bank account you hold is created by debt. All of the entries in your account are debts. It is really an IOU system. A cryptocurrency is not a debt.

There has been a lot of controversy over the launch of cryptocurrencies because they are a direct attack on the monetary policy of most nations. Governments or central banks cannot change cryptocurrencies. Therefore they are immune to inflation and deflation caused by the manipulation of the monetary supply.

What is Bitcoin?

Bitcoin is a cryptocurrency and a virtual type of money. It's really like having an online version of money or cash. You can use Bitcoin to purchase products and services and more and more vendors are accepting Bitcoin as a form of payment these days. Some countries feel very threatened by Bitcoin and have banned it completely.

There are no physical Bitcoin tokens. You may have seen pictures of Bitcoins but these are fabrications. The worth of a Bitcoin resides in the private codes they have imprinted inside them.

Every Bitcoin is just a computer file stored in what's called a digital wallet. We will discuss digital wallets in more detail in a later chapter. If you have a digital wallet then other people can send you Bitcoins or fractions of them. You can also send Bitcoins or fractions to others using your digital wallet.

Every Bitcoin transaction is recorded publically using blockchain technology. This is a transparent network where anyone can trace the history of Bitcoin transactions. All records in the blockchain are immutable meaning that you cannot copy transactions, change the amount of Bitcoins owned or use Bitcoins that you don't own.

There are several ways that you can purchase Bitcoins including:

- You can purchase them using your native currency through a cryptocurrency exchange
- You can sell products and services in exchange for Bitcoins
- You can use a Bitcoin ATM
- You can "mine" Bitcoins

The practice of mining Bitcoins has been going on for a while. In order to do this you will need high end computer equipment and lots of it. These computers perform complex algorithms to guess secret codes. If your computers guess right you get Bitcoins as a reward.

We will not be recommending mining as a way of obtaining Bitcoins in this guide. There are only a limited number of Bitcoins so the process of mining is now incredibly complex. You could spend years mining for Bitcoin and spend a great deal of money on computer equipment and electricity costs without earning any Bitcoins.

You may be wondering why Bitcoins are so valuable. When Bitcoin first started it had no value but in five years a single Bitcoin was worth around \$1,000. At the time of writing a Bitcoin is worth around \$8,000.

Why this jump? Well there are a number of other things in life that have value. Diamonds and gold are a good example. Bitcoins have value because people are willing to trade them for real products and services and also buy them for cash.

People like the idea that any governments or central banks do not control Bitcoins. They also like the fact that Bitcoin transactions are pretty anonymous. Yes there is a record of all Bitcoin transactions but very few include real world identities.

THE LOWDOWN ON BITCOIN INVESTING

CHAPTER 2

The first thing that you need to know is that Bitcoin is volatile. The value of a single Bitcoin has gone up and down over the years. This is not particularly a bad thing as other investments go up and down too. You need to be a smart investor with Bitcoin.

Why does Bitcoin enjoy Value Jumps?

So many people are reliant on the Internet these days. People get very frustrated if they are out and about and cannot find a WiFi connection to use the Internet with their mobile devices. Whether this is a good or bad thing is of no consequence when it comes to Bitcoin investing. The important thing is that growing use of the Internet is good for Bitcoin.

Over the years since the launch of Bitcoin it has attracted investors from all corners of the world. Being a true global digital currency that is available to all (in theory) it is no surprise that it has generated a lot of excitement.

Another good reason why the value of Bitcoin has risen so rapidly is because it is a scarce resource that is actually useful. Most people know that there is only so much gold that we can mine. Each year there is less and less gold left in the Earth. Therefore it has great value.

You can apply the same logic to Bitcoin. There will only ever be 21 million Bitcoin. As time passes this number will dwindle and the value increases. It is now very hard to mine Bitcoin and this is only going to get tougher.

Investors really like the fact that Bitcoin represents predictable and sound monetary policy that all can verify. At any time you can see how many Bitcoins are in circulation and how many new ones have been created.

You can easily trade Bitcoin for some products and services. If you have a gold investment then this is not a liquid asset. You would have to sell some of your gold stock for cash before you could purchase anything.

It is very easy to make cross border transactions using Bitcoin. There are no governments or banks involved. You can send Bitcoin securely in minutes to anywhere in the world. Transaction fees are very low compared to fiat currency transactions.

We really have the Internet to thank for the rise in popularity and value of Bitcoin. The Internet has made the sharing of information easy wherever you are and this concept will underpin the success of Bitcoin as a global and verifiable currency.

The Price of Bitcoin

You will not find an official price for Bitcoin anywhere. It is not the same as fiat currencies. It is all about how much someone is willing to pay for a Bitcoin or fraction of a Bitcoin. A good reference for this price is the Bitcoin Price Index provided by Coin Desk which you can find [here](#).

You will usually see the price as the estimate of the value of one Bitcoin. Most cryptocurrency exchanges will let you buy as many Bitcoins as you want and even offer fractions of Bitcoins for sale.

When should you buy Bitcoins?

There are no guarantees with any investments. The history of Bitcoin shows that it tends to increase in value really fast and then slow down and fall until it is stable. This is a cycle that you need to learn and understand.

There are some great tools available that you can use to analyze the price history of Bitcoin. Probably the best two are:

1. [Cryptowatch](#)
2. [Bitcoin Wisdom](#)

One thing about Bitcoin that is really attractive to investors is that it is never affected by the financial stability of a country. So if there is speculation that a major currency will fall, such as the UK Pound with all of the Brexit issues, then if the currency devalues this will have an impact on other world currencies.

So you need to think globally with Bitcoin. Don't just look at what is happening in the United States, or Europe or China. How is the economy of the world changing?

Go for Long Term Bitcoin Investment

You may have read that there are people making excellent short term gains trading Bitcoin. While this may be true you need expert knowledge and it is a risky strategy. We strongly recommend that you go for a long term Bitcoin investment strategy.

Here is why. If you invested \$1000 in Bitcoin in October 2017, two years later in October 2019 you would have made a profit of more than \$700 providing you with a return on investment of over 70%. That is a staggering return.

Despite these kinds of returns being possible you should still treat Bitcoin as a risky asset to invest in. If you are not prepared to make high risk investments then maybe Bitcoin is not for you. You have seen an example of the kind of rewards that are possible so you need to decide if it is right for you.

Bitcoin Investment Strategies

There are different ways that you can invest in Bitcoin. We will look at the most popular ways here:

Long Term Buying and Holding

This is the Bitcoin investment strategy that we recommend. Here you will buy Bitcoin at a certain price and hold on to it for a period of time in the hope that the value will increase. You may also see this strategy called “hodling”.

When you decide to buy and hold it is very important that you do not just take anyone’s advice on whether Bitcoin will rise or fall. You need to know how Bitcoin works and do your homework using the tools available to come to a decision yourself.

If you are going to adopt a buy and hold Bitcoin investment strategy then we suggest that you do the following:

1. Do not invest more than you can comfortably afford to lose. As we said earlier, Bitcoin is a high risk investment and this should be in your thoughts at all times.
2. When you have purchased Bitcoins don’t leave them in an exchange wallet. Get your own wallet and move them there. We will discuss the different types of cryptocurrency wallet and their advantages and disadvantages in a later chapter.
3. Use a reputable exchange to make your Bitcoin purchases. This may cost you a bit more but it is better to be safe than sorry.
4. Don’t purchase all of your Bitcoins in just one trade. Use the principle of Dollar cost averaging (DCA) and commit to purchasing a certain amount every month (or more frequently) throughout the course of the year. When you do this you pay average prices during the year.

Short Term Bitcoin Trading

As we said before this is where you buy Bitcoins at a low price and then sell them at a higher price to realize a profit. The time frame for these investments is short. We do not recommend that you start out with short term Bitcoin trading.

As you learn more about Bitcoin you can move to a shorter term trading strategy. It is certainly possible and there are some very large players in the Bitcoin market making profits regularly on short term Bitcoin trades. You need to learn how to trade properly to make this work which takes time and practice.

Mining for Bitcoins

In order to make any kind of profit with Bitcoin mining you need to invest in a lot of high end computer equipment and get the cheapest electricity that you can find. And then there are no guarantees!

Mining has become a lot harder over the years. There are less and less Bitcoins to find and more and more people mining. It is just not a cost effective way to invest in Bitcoin in our opinion. Use the money you would spend on equipment and electricity to buy and hold Bitcoin instead.

You may have heard of cloud mining for Bitcoin. The idea here is that you pay for a service that will mine on your behalf using the web. In our experience these are either scams or so expensive an investment that you might as well just use the money to purchase your Bitcoins.

Doubling your Bitcoins

Have you seen websites that claim that they can double your Bitcoin holdings? Or maybe you have come across sites that claim they will pay you high levels of interest every day on your Bitcoins? We have one word for these kinds of websites:

SCAM!

There are lots of websites that offer high yield investment programs (HYIP) and almost all of these are scams too. What happens here is that these sites take money from people all round the Internet in exchange for high returns. They use the money that they get from new people signing up to pay high returns to the initial investors which creates a buzz.

Then guess what? A few months later the website simply disappears! Most people lose their money and they have no way to get it back. Don't fall for these Ponzi scheme type scams. You cannot double the amount of Bitcoins that you have using these sites. It is more likely that you will lose all of your Bitcoins.

HOW BITCOIN REALLY WORKS

CHAPTER 3

To be profitable with Bitcoin you have to know how it really works. So in this chapter we will explain everything that is involved including the underlying technology which is blockchain. We are not going to go into a lot of technical detail about blockchain so don't worry. But you do need to understand the principles of it.

You connect to the Blockchain community using a computer network. This network has Bitcoin ledgers using blockchain. All Bitcoin transactions are compiled into blocks and then these blocks connect in a chain like formation. This is where the name blockchain comes from.

The Bitcoin Process

If you want to make a Bitcoin transaction then you will use your wallet to send out a request to all of the nodes (computers) on the entire Bitcoin network. The nodes use special algorithms (a set of rules and calculations) which validate the Bitcoin transaction.

Your Bitcoin transaction has to be verified and confirmed and after this it is combined with some other transactions to make a new data block and eventually a blockchain. All new blocks are added to the end of the blockchain. At this stage the transaction is final and immutable.

It usually takes between 10 minutes and 45 minutes to process a Bitcoin transaction. A Bitcoin transaction never happens immediately. There can be no changes to the transaction once it is finalized. The receiver of your Bitcoin transaction then sees this in their wallet.

Bitcoin Miners are Essential

We have mentioned Bitcoin miners a couple of times in this guide and actually these people are very important. Why? Well they are the keepers of the Bitcoin ledgers. If you think of a gold miner working tirelessly to find gold, Bitcoin miners are doing the same thing trying to find scarce Bitcoins.

The Bitcoin miners verify and confirm all Bitcoin transactions. They really are the lifeblood of the Bitcoin system. Without them the whole thing would not work. There would be no new blocks created for the blockchain. This is why they are rewarded occasionally with valuable Bitcoins.

If blocks are not added to the blockchain then no Bitcoin transactions will be finalized. This means that not only will Bitcoin payments fail to be sent and received but there will be no new Bitcoins created.

Bitcoin miners know that there are only a limited amount of Bitcoins available and as time passes they will all be competing for a dwindling number. They just leave their Bitcoin mining computers running 24 hours a day to keep verifying and confirming transactions and trying to earn those elusive Bitcoins.

No Trust Required

The design of Bitcoin and the underlying blockchain technology is such that no trust is required. It uses heavy encryption techniques to keep everything safe hence the name “cryptocurrency”.

There is no need for human trust in the Bitcoin network because it operates on tried and tested computer algorithms. It is virtually impossible to cheat the Bitcoin network because it is a public environment. It would take a ton of computing power to break down all of the encryption even if that were possible. So it makes more sense to use this kind of power to mine the Bitcoin network instead.

Your identity is protected on the Bitcoin network. All of your Bitcoin transactions are verified using a private and public key. You use your private key as your “digital signature” in your Bitcoin transactions and network users can verify this by using your public key. Both of these keys are encrypted so you can only use the public key if the correct private key is used.

Public and private keys are very important for you to understand as a cryptocurrency investor. A public key is tied to a public address where you can deposit cryptocurrencies. You can use your public address to broadcast so that you can receive payments from other peers.

Your private key is not to be shared with anyone as it is essentially the password to protect your funds. This private key links to your public key for added security. Your private key is how your balance is determined through the Bitcoin network.

The public and private key system has two major advantages:

1. It is virtually impossible for cyber criminals to steal your identity and make fraudulent transactions
2. You can be completely anonymous on the Bitcoin network if that is useful for you

So now you know how Bitcoin really works. In the next chapter we will look at the various ways that you can acquire Bitcoins...

HOW YOU CAN ACQUIRE BITCOINS



With the growing popularity of Bitcoin came a number of different methods for acquiring them. In this chapter we will explain some of the most common methods for acquiring Bitcoins to bolster your investments.

Purchase Bitcoins

This is obviously the most simple and straightforward way to acquire Bitcoins. All you need to do is to use an exchange website such as [Coinbase.com](https://coinbase.com) and in most cases you will be able to buy Bitcoins using your native currency.

Some cryptocurrency exchanges have country restrictions so you need to do your homework here to ensure that you can purchase in your country. There are some countries that have actually banned the buying and selling of Bitcoin so if this applies to you then you will need to find a creative way around this which is beyond the scope of this guide.

Sometimes a single Bitcoin can be worth around \$10,000 so to make Bitcoin investment available to all most exchanges will sell fractions. In fact a Bitcoin can be divided into 100 million units. Each of these units is called a “Satoshi” after the founder of Bitcoin.

We will give you our view on using cryptocurrency exchanges in the next chapter when we explain what you need to get started with Bitcoin investment. For now here is our view of the best cryptocurrency exchanges for Bitcoin:

Coinbase

[Coinbase](https://coinbase.com) is probably the best known cryptocurrency exchange. If you have used a stock trading platform before then the interface of Coinbase will make sense to you. You can fund your Coinbase

account using bank transfers from the US or with credit cards. Basically you can exchange either US dollars or cryptocurrency that you have for Bitcoin.

Each trade that you make with Coinbase will attract a small fee which at the time of writing this guide was 1.5% for Bitcoin purchases and 0.25% for transfers. The biggest issue with Coinbase among the cryptocurrency community is that you have to provide a lot of personal information.

Sometimes Coinbase will close accounts for a variety of reasons. There are people that believe the website has a tie in with some major banks and will not use it because of this. Coinbase does everything by the book as far as that is possible. This means that there is much less chance of site closure than with other cryptocurrency exchanges.

Kraken

In 2011 [Kraken](#) was formed for the buying and selling of cryptocurrencies. You can buy and sell Bitcoin on Kraken as well as other popular cryptocurrencies. A good feature of Kraken is that it has a number of currency pairings such as USD with Bitcoin, and it supports many more fiat currencies than Coinbase. The fees are lower too.

Kraken has a very good reputation in the cryptocurrency community. If you are interested in trading Bitcoin there are a number of good features such as margin trading. The biggest criticism of Kraken is that the platform can be counterintuitive and confusing at times.

As a newcomer to Bitcoin investing we do not recommend that you use Kraken first. Once you have some experience under your belt then it is a great platform to migrate to.

Poloniex

[Poloniex](#) is a cryptocurrency exchange based in the United States that has a high volume of trades. The biggest problem with Poloniex is that it doesn't accept fiat currency. Once you have some Bitcoin you can use this exchange for trades as there is margin trading for more than 90 pairs.

Poloniex has very low fees typically below 0.25%. Unfortunately it has a pretty bad rap for customer support and it is not that easy to withdraw funds from the exchange. They can also close your account for any reason which is not good.

Bittrex

This is a no fiat currency trading platform. [Bittrex](#) holds most of its funds offline in a similar way to Coinbase making it more secure. The customer service provided by Bittrex is very good but it is not as beginner friendly as some of the other exchanges.

A lot of beginners start with Coinbase but you will have to provide a lot of personal details with this exchange. If this doesn't bother you then it is a good choice. There are many cryptocurrency

exchanges available. We recommend that you do your homework to see which support your country and suit you the best.

Cash Exchanges

Cash exchanges are an alternative to cryptocurrency exchanges. Here you can pay with cash for your Bitcoins and you will trade directly with the owner of the Bitcoins. A good example is [LocalBitcoins](#) where you can trade in over 7,700 cities and 248 countries. You can buy and sell Bitcoins using this cash exchange.

Another alternative cash exchange for the buying and selling of Bitcoins is [Wall of Coins](#). Most cash exchanges do not have expensive fees but sometimes you have to pay fees for successful trading. We recommend that you use a cash exchange that provides an escrow service to protect your funds.

Other Cryptocurrencies for Bitcoin

If you happen to have other cryptocurrencies then you can trade these for Bitcoins pretty easily. One of the easiest places to do this is at [ShapeShift.io](#). An account is not necessary to make a small trade.

All you need to do to exchange your other cryptocurrencies for Bitcoin is to enter the amount for trading or conversion, add your Bitcoin address and the refund address for your cryptocurrency. It just takes a few minutes to exchange for Bitcoins.

Get Paid using Bitcoin

It is easy to be paid in Bitcoins. All that you need is your own wallet for Bitcoin and you can receive payments. You can get a free Bitcoin wallet at Coinbase or at [Blockchain.com](#). It just takes an email address to get your wallet.

Once your wallet is set up you can receive payments in Bitcoin. You can generate a QR code and then send this to the person that you will receive the Bitcoin payment from. There are a number of ways that you can be paid in Bitcoins and here are some of the most popular methods:

Carry out Work for Bitcoins

You will find a number of different types of work that you can perform in exchange for Bitcoins. A lot of these are online and popular with freelancers across the world. When you are paid with Bitcoin you do not have to wait for a bank transfer which can take days to reach your account. You can have your Bitcoins in minutes.

Employers or customers like paying in Bitcoins too as they do not have to pay high transaction fees associated with bank transfers especially if their workers live in another country.

You can Sell Products and Services

Whether you own a conventional brick and mortar store or an online store you can receive payments from customers in Bitcoin. With the growth of Bitcoin there are bound to be customers that hold Bitcoin and see it as a forward thinking and convenient way to make payments.

It is easier for customers as well as they can just make the payment from their Bitcoin wallet. Of course you will receive the payment in Bitcoin pretty fast too. This is a win-win for you and your customers.

If you have an online store there are a number of scripts or plugins you can use to accept payments via Bitcoin. You must ensure that you set everything up correctly because you don't want your payments ending up in someone else's wallet.

For a brick and mortar business you can start accepting payments via Bitcoin simply by printing the QR code of your Bitcoin wallet for customers to use. A customer can use their smart phone to scan the QR code and then make the payment.

Be sure to tell all of your customers that you accept Bitcoin as a means of payment. Add your details to Coinmap.org which will let Bitcoin users know that you take it as a form of payment. There are similar websites you can post to as well.

Why not use Bitcoin as a way of receiving tips? This is easy to do online by setting up a Bitcoin payment gateway. If you have a blog and provide useful content for example, some of your readers will be happy to send you a tip using Bitcoin.

Websites that Pay in Bitcoin

There are many websites available that will pay you in Bitcoins (usually small fractions) for completing certain tasks. Some of these tasks include:

- Completing surveys
- Downloading mobile apps
- Watching videos
- Play games online
- Click on ads
- Sign up for trial offers
- Shop online
- Answer questions
- Refer friends

Some of the websites just need the address of your Bitcoin wallet. Others will require you to create an account with them. You can perform most of these tasks in minutes and earn fractions of Bitcoins. If you value your time then you may not be interested in doing this.

Bitcoin Faucets

Most people have not heard of Bitcoin faucets. What they do is to give away fractions of Bitcoins for free at specific times. This drives a ton of traffic as lots of people want these free Bitcoin fractions and sometimes these faucets take a long time to load.

There are some Bitcoin faucets that just give away Satoshis. Other faucets require that you complete some small tasks to earn your Satoshis. Before you get too excited by Bitcoin faucets you need to know that they can steal a great deal of your time for fractions of Bitcoins.

Bitcoin Mining

We have mentioned how important Bitcoin miners are to the Bitcoin network. If miners didn't exist then there would be no transactions or new Bitcoins created. Bitcoin miners can find Bitcoins which is their reward for their efforts.

When Bitcoin first launched it was fairly common for Bitcoin miners to receive 50 Bitcoins when they mined a single block. But as every block was mined the number of available Bitcoins for rewards diminished.

Now you will get a lot less Bitcoins for mining. However, with the prices rising some people still see this as a worthwhile task. But Bitcoin mining is not an easy thing to do. You need some powerful computers to be a successful Bitcoin miner.

It is now a lot more difficult to mine new blocks and solving the complex cryptographic functions is really tough. There is also a lot of competition in Bitcoin mining now making the task even more difficult.

These days most Blockchain miners work together in pools, and they split any rewards that they receive for their efforts based on the amount of work that their computers have done. It is not cheap to participate in Bitcoin mining these days. You need powerful computers to solve the cryptographic functions.

Forget about using a high end desktop to perform Bitcoin mining. You will have to invest in some serious hardware even to join a Bitcoin mining pool. It is recommended that you use an ASIC chip to have any success with Bitcoin mining. These chips and high end computers also consume a lot of power.

The other thing that you need is knowledge. To setup a Bitcoin mining system you will have to pay experts to do this. We are not saying that it is not possible to be successful with Bitcoin mining over the long term but you will have to make a significant investment to get started.

CHOOSING THE RIGHT BITCOIN WALLET

CHAPTER 5

Although the blockchain technology that underpins Bitcoin is very secure, one of the biggest weak points with Bitcoin is storage. Because Bitcoins have risen significantly in value over the years you will not be surprised to know that the number of cyber criminal's intent on stealing Bitcoins has risen too.

And these people are getting smarter and smarter. They are creating bots that will scan online Bitcoin wallets and try and remove the Bitcoins in them. There have been several reports about cyber criminals emptying cryptocurrency exchange wallets over the years and the wallet holders never seeing their Bitcoins again.

We want you to be shocked and concerned by this. If you are going to be a successful Bitcoin investor then you need to hang on to your Bitcoins! It is essential that you keep your Bitcoins safe and fortunately there is a lot you can do to ensure this. The type of Bitcoin wallet that you choose is crucial to the security of your Bitcoins.

It is all about keeping your private key safe. Inside of your wallet your Bitcoins have an associated address which consists of your private key and public key. The public key is the actual address of the Bitcoin and your private key is the password that unlocks those Bitcoins. It is essential that you keep your private key safe.

If a cyber criminal gets their hands on your private key then they can transfer all of your Bitcoins to other accounts. And you know that once a Bitcoin transaction is verified and confirmed then there is no turning back.

People that are unlucky enough to have Bitcoins stolen from their wallets just have to accept it and get on with their lives. You just cannot do anything to get your Bitcoins back. So let's take a look at the different types of wallets and how you can provide the maximum protection for your private key.

Online Bitcoin Wallets

There is no easier way to get started with Bitcoin investing than to setup an online wallet. You can setup a free Bitcoin online wallet even if you have no Bitcoins right now. Cryptocurrency exchanges like Coinbase will provide you with an online wallet and you can get one at Blockchain.com as well.

When you are just starting out then an online wallet is a good thing to use. But you would not want to keep a sizeable Bitcoin inventory in an online wallet. Yes it is great that you can access your online wallet from anywhere in the world but so can thieves and cyber criminals!

An online wallet is a “hot” wallet because all you need to access it is an Internet connection. The problem is that most online wallets end up storing your private keys on their servers and if these get hacked you can say goodbye to your Bitcoins.

The other issue is that servers can and do have technical problems and if they suffer a catastrophic issue then your private keys could disappear forever. Some online wallet platforms will limit or suspend accounts for terms of service infractions and you may even have your account shut down permanently and you lose your private keys.

We strongly recommend that if you have a significant amount of Bitcoins that you move them to a cold wallet which is offline. Don't take the chance of not being in control of your Bitcoins.

Online wallets are not all bad. Yes there are security and other risks but if you intend to make frequent Bitcoin transactions then they are useful. You can hold a small amount of Bitcoins in your online wallet for those regular transactions and then move the rest to a more secure wallet.

Mobile Bitcoin Wallets

A mobile wallet is another form of hot online wallet. With a mobile wallet you can access it using your mobile device when you connect to the Internet. If you have a smartphone or tablet that you take around with you wherever you go then this is a very convenient type of Bitcoin wallet.

With a mobile wallet you can make Bitcoin payments to a vendor either online or offline. If you have a Blockchain.com or Coinbase online wallet then there is a mobile counterpart synchronized to your main wallet.

Despite being very convenient there are issues with mobile wallets. Cyber criminals and hackers can still get hold of your private keys if they are saved on your mobile device or remote servers.

A lot of people lose their mobile phones or have them stolen. Also a lot of mobile phones suffer damage. If you don't make copies of your private keys then you could potentially lose all of your Bitcoins in these scenarios.

To get the best use out of a mobile wallet we recommend that you transfer just what you need to it from a more secure wallet. Then if you lose your phone or it becomes unusable you will still have your private keys safely stored in the secure wallet.

Desktop Computer Bitcoin Wallet

Another choice for you is the desktop wallet. It is a much safer choice than an online or mobile wallet as you download an app for your computer or laptop and you store your private keys in it.

One of the most popular desktop wallets is [Bitcoin Core](#). In our opinion this is not the most practical choice. The reason is that Bitcoin Core will actually download the complete blockchain so you will need at least 150 GB of spare disk space to make this work.

The good news is that there are alternative desktop wallets that you can use which do not require you to download the blockchain for Bitcoin. Instead they use simple payment verification (SPV) technology. Some good examples are:

- [Electrum](#)
- [Armory](#)
- [Bither](#)

Desktop wallets are simple to use and so much safer than online or mobile wallets. With a desktop wallet you can disconnect your computer from the Internet to prevent hackers from accessing your private keys.

While it is true that a desktop wallet does not have the convenience of an online wallet you will have control over your private keys. You can also make a backup in case your laptop or computer is stolen or becomes inoperable.

Paper Bitcoin Wallet

This may seem a strange thing to try and store your Bitcoins on paper as they do not seem to be a very good match. But paper wallets are another cold storage option as it is impossible for even the most competent cyber criminals to hack a piece of paper!

Of course if you do not take care of a paper wallet in the real world then people can steal it. So if you choose this option then don't leave it lying around. You also need to protect paper wallets from damage as well so use a water resistant container to store them.

A paper wallet definitely does not have the convenience of an online wallet but they are a lot safer. All you need to do is to print off your private and public keys and store the paper somewhere secure such as a safety deposit box.

Paper wallets are a good long term option. You can store large amount of Bitcoins in your paper wallet and then have a few available in an online wallet for regular transactions. It is definitely one to consider.

Hardware Bitcoin Wallet

Most Bitcoin experts will tell you that the most secure types of Bitcoin wallets are hardware wallets. We agree and if you are serious about Bitcoin investing then we strongly recommend that you invest in a hardware wallet. They are not cheap but they are worth it.

The majority of hardware wallets will enable you to store other cryptocurrencies as well as Bitcoin. A hardware wallet is usually in the form of a USB stick which you just insert into your computer when you want to make a Bitcoin transaction. Once you are done just remove the hardware wallet and then store it safely.

A really good security feature with hardware wallets is the ability to create private keys offline. You can carry your hardware wallet around with you wherever you go without the worry of having your private keys stolen.

It is really easy to setup and use a hardware wallet. With most hardware wallets you can set a password and PIN code and even add recovery seed words to authenticate access and to recover any stored Bitcoins if you lose your hardware wallet or it stops working.

We recommend that you write down all of your security details for your hardware wallet just in case you forget them. Hide these details in a place that only you know about. If these details fall into the wrong hands then you can lose all of your Bitcoins.

There is no chance of a hardware wallet being hacked so the only thing you have to do is to keep a backup of your security details in a safe place.

At the end of the day you will probably want to use a combination of different wallets as you become a more serious Bitcoin investor. Hardware and paper wallets are the best choice for long term storage. You can use a desktop wallet for medium term storage and an online wallet for those frequent short term Bitcoin transactions.

GETTING READY FOR BITCOIN TRADING

CHAPTER 6

We hope that we have convinced you in this guide that Bitcoin investing can make you a lot of money. You may have heard how others have purchased Bitcoins in the past and ended up selling them for a huge profit. It is possible and there is no reason why you can't do this too.

There are certainly experienced Bitcoin traders out there that make a lot of money from their trades. They may not be successful with every trade but overall they make consistent profits. The thing is that trading Bitcoins successfully is not an easy thing to do. You really have to be prepared.

It is not impossible for someone just starting out with Bitcoin to be successful. But you have to be financially and mentally ready for this. Bitcoin trading is all about high risk and high reward. The key to success is to buy at low prices and then sell at higher prices. While this is obvious it is not that easy to do.

A lot of newcomers to Bitcoin trading end up panicking when they are making trades. After all they are dealing with digital currency that is worth thousands of dollars. Panic levels will rise even more if you are using your savings to trade or your pension fund!

Strategies for Bitcoin Trading

If you are really interested in Bitcoin trading then the first thing that you need to realize is that you need to use common sense and maintain self control. Don't go into it thinking that you are going to make a ton of money in a day. If you get too greedy then you are very likely to fail.

Learn and get as much Practice as you can

You need to learn everything that you can about Bitcoin trading before you start to do it for real. Knowledge is great but there is nothing like experiencing how Bitcoin trading works in the real world.

To give yourself a good start with Bitcoin trading sign up with a cryptocurrency exchange that will allow you to use a demo account to experience how things work in the real world. You will see real time prices for Bitcoin and it will help you to get used to the Bitcoin trading interface.

You need a Trading Plan

Successful Bitcoin trading relies on having a good strategy in place. Sure you might get lucky with your first few trades, but sooner or later your luck will run out and this can be very expensive.

One of the biggest mistakes that newcomers to Bitcoin trading make is that they follow the news, see that a lot of other people are making Bitcoin trades and this compels them to do the same thing. Experienced traders like this because it will force the Bitcoin price up and they can profit from previous purchases.

Don't follow trends blindly. Create a plan that defines the price that you should purchase Bitcoins for and the price that you should sell them at to realize the profit that you want. If you stick to a plan like this then you will significantly reduce the risk of panicking if you suddenly see prices fall.

Practice with Small Amounts

When you are starting out with Bitcoin trading only invest small amounts with trades. This is all part of your learning curve and early training. No matter how good an opportunity seems resist the temptation to go "all in".

Use your demo account to perform a lot of trades before you start spending real money. If you clean out your demo account then this is not a big deal but losing all of your real money is completely devastating.

Keep your Emotions in Check

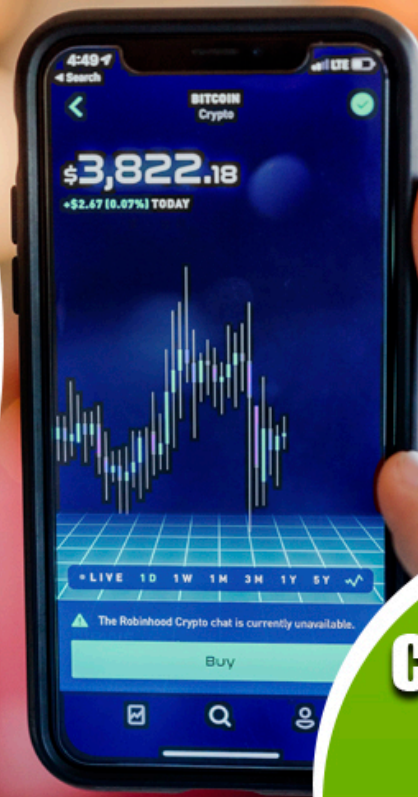
The thought of losing money can be really alarming to you. We have told you many times in this guide that Bitcoin is volatile and in one day the price can go down by a significant amount. The good thing is that the price can rise significantly in no time at all as well.

You must keep your emotions in check if you want to be successful with Bitcoin trading. Thinking logically will always be the best strategy. Never let your emotions determine which Bitcoin trades you should or shouldn't make.

It is understandable that you will be excited about the opportunities that Bitcoin trading offers. But we strongly recommend that you take this a step at a time and learn everything that you can about trading.

Use a few demo accounts to practice with before you start investing real money. The more accustomed you are with the trading environment the better. If you make mistakes with your demo account work out what went wrong and avoid making the same mistake in the future.

REAL LIFE BITCOIN INVESTMENT STRATEGIES



CHAPTER 7

In an earlier chapter we provided you with a lowdown on Bitcoin investing. In this chapter we will look at some of the real life Bitcoin investment strategies that are working well for some savvy investors.

Many people are jumping on the Bitcoin investment bandwagon nowadays because of the price rises but most of these people fail because they are ill prepared. They do not have the advantage of reading a guide like this to help them like you do.

Throughout this guide we have made no secret of the fact that Bitcoin is a volatile digital currency and it goes up and down in value on a regular basis. That is why we recommend that you adopt a long term approach to your Bitcoin investing so that if the price does drop you give it time to recover.

So here we will take a more in depth look at some of the “real life” methods that successful Bitcoin investors use to make a profit.

The Dollar Cost Averaging Method

We mentioned this briefly in chapter 2. This really is the best Bitcoin investment method for beginners because it removes the need to enter the Bitcoin market when the timing is right. A lot of novice Bitcoin investors spend a lot of time and really stress out waiting for the price of Bitcoin to fall to the right level.

When you use the dollar cost averaging method for your Bitcoin investing you will spread your risk over a time period. All you need to do is make purchases at regular intervals and then hold them in your secure wallet.

Here is an example of how this works. Let's say that each week you can spare \$100 to invest in Bitcoin. So you will make a purchase every week for \$100 and some weeks you will receive more Bitcoins for your money and others you will get less.

There is no need for you to study Bitcoin price charts for hours. All you need to do is have the discipline to make those \$100 purchases every week. You don't have to wait around for the right price drops just make your purchase anyway.

When you use the dollar averaging method you will find that your profits average out when you decide to sell. You might not achieve huge profits using this method but if you sell when the Bitcoin price is high then you will still make a good return.

Investing a Lump Sum into Bitcoins

This method is definitely not one for the faint of heart but we want to cover all bases here. When you invest a lump sum in Bitcoins you will purchase them at a specific price point. There is an element of risk when you do this.

Let's assume that you have \$50,000 to invest. Naturally you want to get as many Bitcoins as possible for your investment. In order to have the best chance of doing this you have no choice but to wait until the Bitcoin price goes down.

There is no other alternative here. You must wait and time your entry into the Bitcoin market as well as you can. The problem is that in practice the price of Bitcoin fluctuates very often so predicting the next price dip is really tough to do.

If you have a lump sum to invest right now we wouldn't advise that you start with this. It takes experience to make a good judgment of the right price dip. Even the experts get this wrong sometimes.

When you are new to Bitcoin investing and want to invest a lump sum you may see a price dip and then think to yourself "if I just hang on for a while it may go down even more" or "what if the price never reaches my low point?"

The same scenario applies to selling your lump sum investment. How do you know the best price to sell your Bitcoins for? It may be very difficult to sell at the price that you need to make the profit you planned for.

If you sell too soon and the price goes up even more then you will criticize yourself heavily. Think what you could have done with all of that extra profit! Obviously a lump sum investment will provide you with a much higher profit than the dollar cost averaging method if you get the timing just right.

Bitcoin Investing Hedge Fund

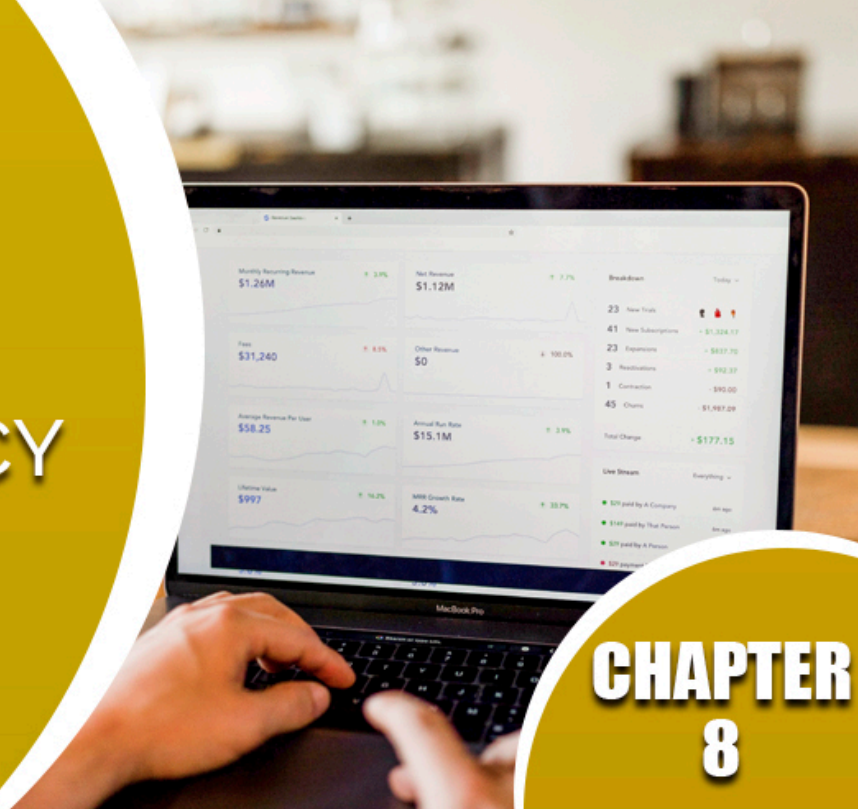
You may not be aware of this but there are actually cryptocurrency hedge funds available that include Bitcoin. This could be a good alternative for you if you do not want to learn about Bitcoin investing that you will need to do if you want to use other investment strategies. The biggest drawback with any hedge fund is the expensive performance and management fees.

Cryptocurrency hedge funds will insist that you pay the management fee upfront. Usually these fees are in the region of 2% of your investment so if you want to invest \$100,000 then you are going to have to pay around \$2,000 as a management fee which leaves you with \$98,000 for investing in cryptocurrencies.

You will be appointed a hedge fund manager and they work on a profits percentage basis. This can be as high as 20% so if you were able to secure a \$40,000 profit from your investment then you will have to pay \$8,000 to your hedge fund manager.

These figures may startle you and cryptocurrency hedge funds are not going to be everyone's idea of a good thing. But when you think about it you will have totally hands off investing here which can make big profits for you.

AVOID BITCOIN AND CRYPTOCURRENCY SCAMS



CHAPTER 8

Although Bitcoin is certainly not a scam, there are plenty of people out there that will try and scam you out of your precious Bitcoins. Like any other high value commodity some people will do everything that they can to get their hands on Bitcoins. So in this chapter we will look at some of the most common scams that you need to avoid.

Bitcoin Exchanges that are Fake

We would always recommend that you use a cryptocurrency exchange that has an established reputation and have been operating for a few years. In this guide we have told you about Coinbase, Kraken, Poloniex and Bittrex. There are others too such as [Cex.io](#), [Bitstamp.net](#) and [Changelly.com](#).

There are so many cryptocurrency exchanges available today that it would be impossible for use to vouch for any of them. You need to conduct your own due diligence here and find out the history and look for reviews from users.

If you see an exchange offering rates that are just too good to be true then be very suspicious. Unfortunately there are fake exchanges that look like the real thing and then when you try to trade with them they will steal your Bitcoins and you will never see them again.

These fake exchanges prey on newcomers to the Bitcoin space. They offer the opportunity to purchase Bitcoins for up to 20% lower than you would see on reputable sites like Coinbase. Unfortunately some new people fall for this scam – you know better now!

Another sign of a fake exchange is where they offer to purchase your Bitcoins from you at a higher than average price and then send you the amount in US dollars to your PayPal account. This will never happen and they will just steal your Bitcoins.

Phishing Scams

These are performed using email. The aim is to get the login details for your online wallet. So you will receive an email from a domain name that looks like Coinbase.com for example that is not from the genuine site. It might be from Coinsbase.com pretending to be Coinbase.com or they use other tricks.

If you fall for this kind of phishing scam and use your Coinbase.com login details to log into the fake website then the scammers then have your information and can login to your Coinbase account, lock you out of your own account and steal all your Bitcoins!

Malware Scams

These are nasty. You will be asked to click a link in an email or on a website that will download malware on your computer without you knowing it. Usually the malware is a keylogger which will record everything that you type and send this back to the scammers. So if you type in your Coinbase username and password this will be shared with the thieves.

Never click on any links in emails or on websites that you are not 100% sure about. If you notice something being downloaded then stop it immediately.

Ponzi Scams

If someone offered you a guaranteed return on your investment then you would be interested right? Well here's the thing – nobody can offer you this kind of guarantee with cryptocurrencies. There is no such thing as a risk free investment.

Bitcoin and other cryptocurrencies are volatile by their very nature. If someone tells you that they can guarantee a daily 10% return on investment they are a scammer. A Ponzi scheme pays off the early members with the investments made by new members. It has been going on for years and so many people fall for new ones.

The best way to avoid Ponzi scheme scams is to always bear in mind that if it seems too good to be true then it probably isn't.

Mining Scams

There is a lot of interest in Bitcoin mining. Cloud mining is a concept where you do not have to invest heavily in the necessary high level computer hardware for Bitcoin mining. Simply join a group and the mining is done for you. Of course you will need to pay for this privilege.

While there are legitimate cloud mining programs there are a number of scammers as well. Take a good look at the website to see if they have a secure https domain and also search for reviews about the company on search engines.

We don't recommend that you get into Bitcoin mining when you are starting out. If you do like the idea of cloud mining then you must do your homework otherwise you run the risk of scammers taking your money for nothing in return.

BITCOIN INVESTING BEST PRACTICES

CHAPTER 9

We want you to be a successful Bitcoin investor. Although nothing is ever guaranteed when investing in cryptocurrencies there are certain practices that you can follow that will maximize your chances of success.

1. Understand how Bitcoin works

We have given you all the information that you need in this guide to understand how Bitcoin really works. You need to know the principles of blockchain and how Bitcoin trades are made. Don't get caught up in the technicalities but make sure that you have a firm understanding of Bitcoin before you make any trades.

2. Go for Long Term Investment

You may have heard a lot of stories about traders who make money from Bitcoin trades every day. Some of these may be true but these people have a lot of experience and know what they are doing! Go for a long term investment strategy (buy and hold) instead to battle against the volatility of Bitcoin.

3. Be Wallet Secure

We devoted an entire chapter on the different types of wallets for Bitcoin and their security issues. Online wallets are the least secure and hardware wallets are the most secure. For convenience it works the other way around with online or "hot" wallets being the most convenient and offline or "cold" wallets being the least convenient.

Bitcoins are very valuable so you need to have the right wallets to protect them. If you are going to trade regularly then just keep enough Bitcoins in an online wallet to do this and keep the rest in your cold wallet. If thieves get hold of your private keys then you can say goodbye to your Bitcoins.

4. Use Reputable Exchanges to buy and sell Bitcoins

Due to the high value of Bitcoins there are plenty of thieves and scammers out there who want to steal yours from you. Only use a reputable cryptocurrency exchange such as Coinbase or Kraken to buy and sell your Bitcoins.

Always check out a cryptocurrency exchange thoroughly. Do they have a track record? Are there user reviews? If you can't find these things then look for another exchange. If an exchange is making promises of Bitcoin deals that seem too good to be true then move on.

5. Watch Bitcoin Trends

It is always a good idea to keep an eye on the price fluctuations of Bitcoin. Use tools like Bitcoin Wisdom and Cryptowatch to stay in the loop. This is especially important if you are thinking about investing a lump sum into Bitcoin. You want to buy at the lowest price and sell at the highest price.

6. Avoid Bitcoin Trading Initially

Once you get more experience as a Bitcoin investor then you can try your hand at Bitcoin trading. We do not recommend that you start trading straight away. You need to learn a great deal about Bitcoin pricing and be able to effectively control your emotions to trade successfully.

There are demo accounts available that you can use to practice Bitcoin trading. Use these to the full and learn from any mistakes that you make before you start using real money to trade Bitcoins.

7. Accept that Bitcoin is Volatile and High Risk

Bitcoin is a highly volatile digital currency. This means that there are opportunities to make significant gains and the risk of losing a lot of money too. You need to accept this and always bear it in mind to be a successful Bitcoin investor.

8. Avoid Scams

Unfortunately there are many cryptocurrency scams. Bitcoins are very valuable and thieves will do everything that they can to steal them from you. Watch out for fake exchanges, phishing in emails and too good to be true Ponzi schemes.

9. Avoid Bitcoin Mining

Do not get involved in Bitcoin mining when you are starting out. You will need to make a significant investment in high end computer equipment to have any chance of success and it just makes more sense to use this money to purchase Bitcoins instead.

CONCLUSION



If you have read this guide from start to end you have a strong foundation in Bitcoin and can take this forward to start making sound investments. This is just the start for you so we urge you to track the trends with Bitcoin and to keep abreast of all new developments with this cryptocurrency.

There have been fortunes made through Bitcoin investing and trading. But it is not a get rich overnight situation. You need to develop an investment plan and only make investments that you can afford. Initially we strongly recommend that you approach Bitcoin investing as a long term investment.

With more and more businesses realizing the power of Bitcoin you will be able to use yours in more places to make purchases in the near future. If you have a business yourself then we strongly recommend that you provide your customers with the choice of making Bitcoin payments.

If you are concerned about the future of Bitcoin then there is no need for this. It is growing and here to stay. The fact that you can now purchase Bitcoins from ATM's speaks volumes. The blockchain technology that supports Bitcoin is now considered to be the future of online financial transactions and supply chain management.

So now it is over to you. You need to take action and follow the advice in this guide. Reading this guide will make you smarter – taking action has the potential to make you richer. Remember to start small and use a reputable cryptocurrency exchange like Coinbase.com. Also get a secure wallet to transfer your Bitcoins and keep them safe.

If you see a cryptocurrency offer that looks too good to be true then it probably is. Avoid anything that claims to sell Bitcoins at way below market value or will guarantee returns. This is all a scam. Nobody can double your Bitcoins either so steer clear of this as well.

We hope that you found Bitcoin Breakthrough informative and helpful. Get started today with your Bitcoin investing. We wish you every success on your Bitcoin journey and remember that you always need to keep learning. The smartest investors are the ones that usually make the highest profits!