



These Two Best Friends Just Learned They're Actually Brothers After 60 Years

BUSINESS

Thinking a Bitcoin could be a good stocking stuffer? Here's what you need to know.

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Are you thinking of gifting someone a Bitcoin this Christmas, but have no idea what it really is or how to buy it?

Here's what you need to know.

What is Bitcoin?

Bitcoin is a virtual "cryptocurrency," which means that you can't hold it in your hands or open a regular bank account with it. Unlike the U.S. dollar, it isn't a nationally accepted currency backed by the federal government, and it is not regulated by the Federal Reserve. There is no board deciding how much Bitcoin is in circulation, or the Bitcoin interest rate. Rather, "it has some similarity to gold," says Campbell Harvey, a professor of finance at Duke University's Fuqua School of Business.

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Gold has international value not because any government has decided that it's valuable, but because people all around the world want it. Even if a government collapsed and its national currency became worthless, gold would still possess value.

Also like gold, people "mine" for Bitcoin, but not in mountains. Bitcoin miners "invest in costly equipment and require a lot of power to provide the verification and security of all the transactions on the Bitcoin network," Harvey explained. According to Bitcoin.org, a miner uses this computer equipment to solve complicated mathematical problems. Bitcoins are awarded for correctly solving these problems. Bitcoin is issued through this impersonal process, as opposed to decisions by the Federal Reserve, the government, or any individual.

How did Bitcoins get started?

A person or persons identified as Satoshi Nakamoto posted a paper online in 2008 called "Bitcoin: A Peer-to-Peer Electronic Cash System" that outlined the process for creating a system of online monetary exchanges without a third party.

What are the pros and cons of Bitcoins?

One of the advantages of Bitcoin, according to Bitcoin.org, is that you can send and receive Bitcoins anywhere in the world at any time. That means you don't have to go through the middle-man of a bank in order to withdraw or deposit. You also don't have to worry about different national currencies or exchange fees.

Investing in Bitcoin could make you enormously rich. A single Bitcoin was valued at less than \$1,000 a year ago, now a Bitcoin is valued at over \$10,000 U.S. dollars. But be wary, you could also lose a lot of money. The value of a Bitcoin is extremely volatile. This is because it's not like investing in an established company but rather a speculative investment which relies on subjective value, said Michael L. Walden, professor of economics at N.C. State University.

"Microsoft, for example, they produce things, they sell things. You can see a track record. (With speculative investments) there's really nothing behind them other than people's feelings," Walden said.

At the moment, the value of Bitcoins has overall been rising in part because many people across the world are excited about the possibility that in the future we will use this virtual currency rather than money that belongs to any one country. We'll have international online currency instead of different national currencies.

Those feelings, however, can make the Bitcoin volatile, which is clear from tracking its value. Between Thursday and Friday, a Bitcoin's value has decreased from over \$15,000 to just over \$11,000 and then back up again to over \$12,000.

This doesn't mean people shouldn't invest in Bitcoin. Rather, "make sure you keep it to a very very small part of your portfolio," Walden said. "Make sure if you lost everything there it wouldn't be the end of the world for you."

Where to buy

A popular site to purchase Bitcoin is <https://www.coinbase.com>. While the price of a single Bitcoin is still very expensive, you can buy any fractional amount you wish. Currently \$100 can get you about 0.01 of a Bitcoin.

But remember, Bitcoins are not as useful to use a "hardware wallet" like Exodus.

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secure your Bitcoin, it is wallets include Trezor and

Oh, and if you get a Bitcoin for Christmas and decide you'd rather have some real cash, you can also sell it at coinbase.com.



A computer screen at the Cboe Global Markets exchange shows Bitcoin cash and futures prices on Dec. 19, 2017, in Chicago. Last week, the exchange became the first in the United States to begin trading Bitcoin futures. Bitcoin prices have surged in the past year, going from \$1,000 a coin at the beginning of the year to a recent high of around \$20,000. This week they dropped substantially. **Scott Olson** - Getty Images

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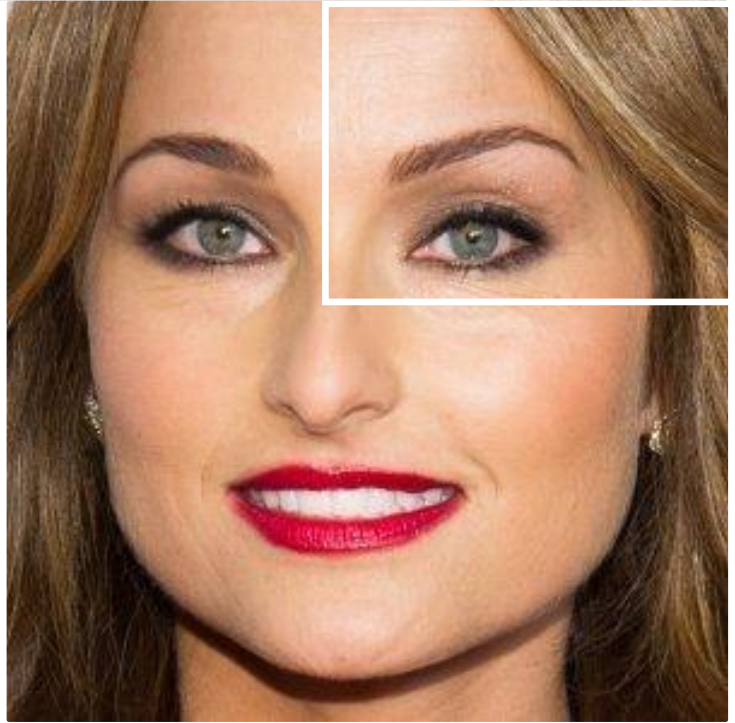
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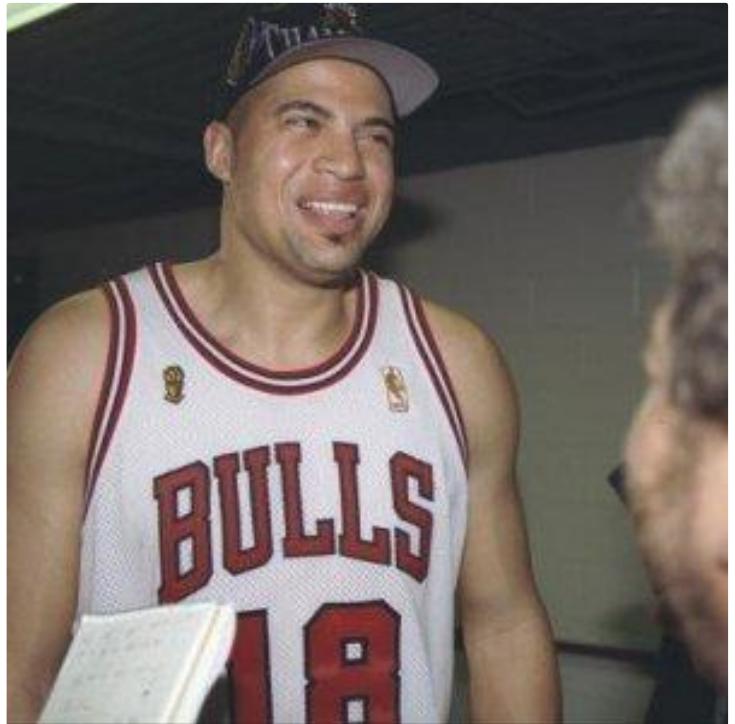
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