



# The How and Why of cryptocurrency



Financial Advice New Zealand | August 2021

# Today's session:

- 1** What is crypto?
- 2** Why do people buy it?
- 3** How do you get it?
- 4** How do you keep it safe?

# Cryptocurrency is a significant asset

Rank	Name	Market Cap	Price	Today
1	 Gold GOLD	\$11.033 T	\$1,737	0.61%
2	 Apple AAPL	\$2.414 T	\$146.09	-0.03%
3	 Microsoft MSFT	\$2.166 T	\$288.33	-0.39%
4	 Saudi Aramco 2222.SR	\$1.873 T	\$9.37	0.00%
5	 Alphabet (Google) GOOG	\$1.831 T	\$2,760	0.70%
6	 Amazon AMZN	\$1.692 T	\$3,342	-0.09%
7	 Silver SILVER	\$1.329 T	\$23.61	1.47%
8	 Facebook FB	\$1.019 T	\$361.61	-0.52%
9	 Bitcoin BTC	\$860.71 B	\$45,662	4.54%
10	 Tesla TSLA	\$706.63 B	\$713.76	2.10%

**So what is crypto?**



# Cryptocurrency is a way to exchange value that is...



**Digital**



**Decentralised**



**Trustworthy**

# Blockchain is a database that is...



**Public(ish)**



**Uneditable**



**Programmable**

# Cryptos are a diverse bunch...



Generation 1



Generation 2



Generation 3



...?

# Types of cryptocurrencies and their use cases

- **Payment cryptocurrencies** e.g. Stablecoins such as USDC which can be used for settlements and remittance
- **Infrastructure cryptocurrencies** e.g. Platform currencies such as Ethereum
- **Financial cryptocurrencies** e.g. Decentralised Finance crypto such as Compound
- **Service cryptocurrencies** e.g. Crypto merging blockchain technology with real world applications such as Siacoin for file storage services
- **Media and entertainment cryptocurrencies** these are typically Non-Fungible Tokens that digitise assets. For example, Enjin coin which can be integrated into games such as Minecraft

# What's most popular in NZ right now?



Bitcoin

**31%**



Ethereum

**21%**



USDT/USDC

**18%**



Cardano

**5.5%**



XRP

**2.9%**

# Why people adopt and invest in crypto?



# Investors are interested in crypto because ...



As part of a balanced investment strategy, it's a way to **diversify their portfolio**.



Investors see cryptocurrency such as Bitcoin exhibiting properties similar to gold and therefore invest in it as **a hedge against inflation**.



Investors believe in the value which the blockchain technology adds and the use cases of cryptocurrencies. **They invest in the market potential of cryptocurrencies.**

# **Crypto is like traditional assets (just better!)**



**Gold**



**Infrastructure**



**Start-up**

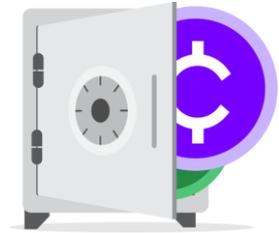
# Investors are becoming more confident in crypto because ...



**High returns**



**Regulatory frameworks**



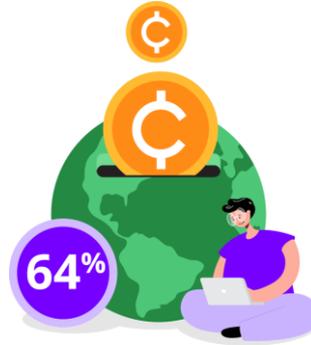
**Institutional grade custody**

# Are your clients interested in crypto?



According to a recent study by the New Zealand Financial Services Council (2021):

- Approximately **one in ten Kiwis are invested in crypto** (9.5%), and
- **One in five kiwis** (19.5%) stated “exploring new investment options such as cryptocurrencies” as an **active financial goal**.



A Global FinTech Adoption index by Ernst and Young (2019) revealed that there is a 64% global consumer adoption rate for new FinTech where these organisations enable, enhance, and disrupt financial services. This includes those of crypto-related technologies.



Internationally, studies have observed that cryptocurrency investment are increasingly viewed as a viable investment asset class by investors (see studies by Fujiki (2019), Davis and Andreas (2021), and Bonaparte (2021)).

# What is crypto worth?

*“By 2005 or so, it will become clear that the Internet’s impact on the economy has been no greater than the fax machine’s.”*

**Paul Krugman, Nobel Winning Economist, 1998**

# Supply & demand drives value



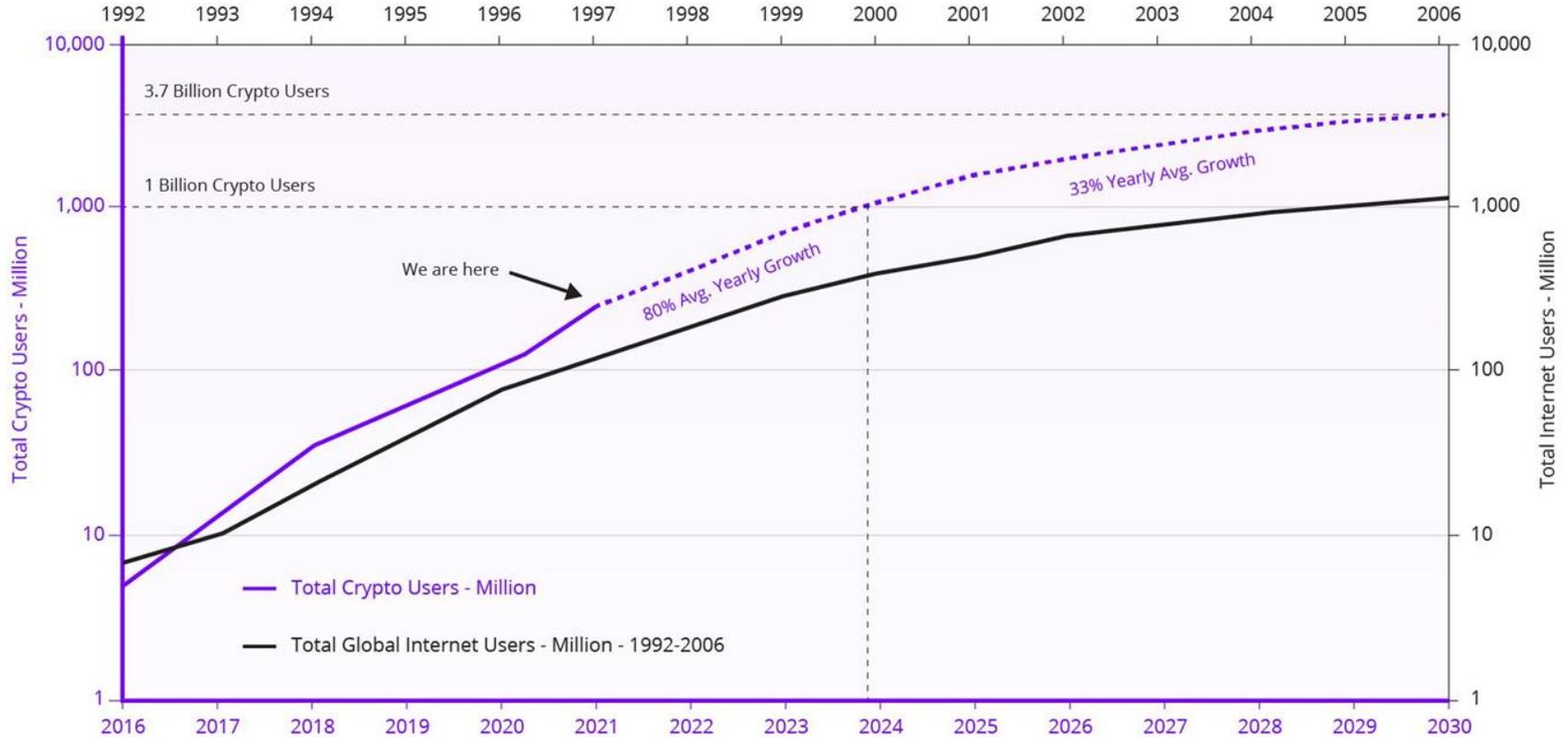
## Supply side:

- Fixed supply (deflationary)
- Minting of new coins reduces over time

## Demand side:

- Portfolio diversification
- Hedge against inflation
- Use values
  - Digital transfer of value
  - Ecosystem access
  - Practical uses

# Technology Adoption Curve - Log Scale



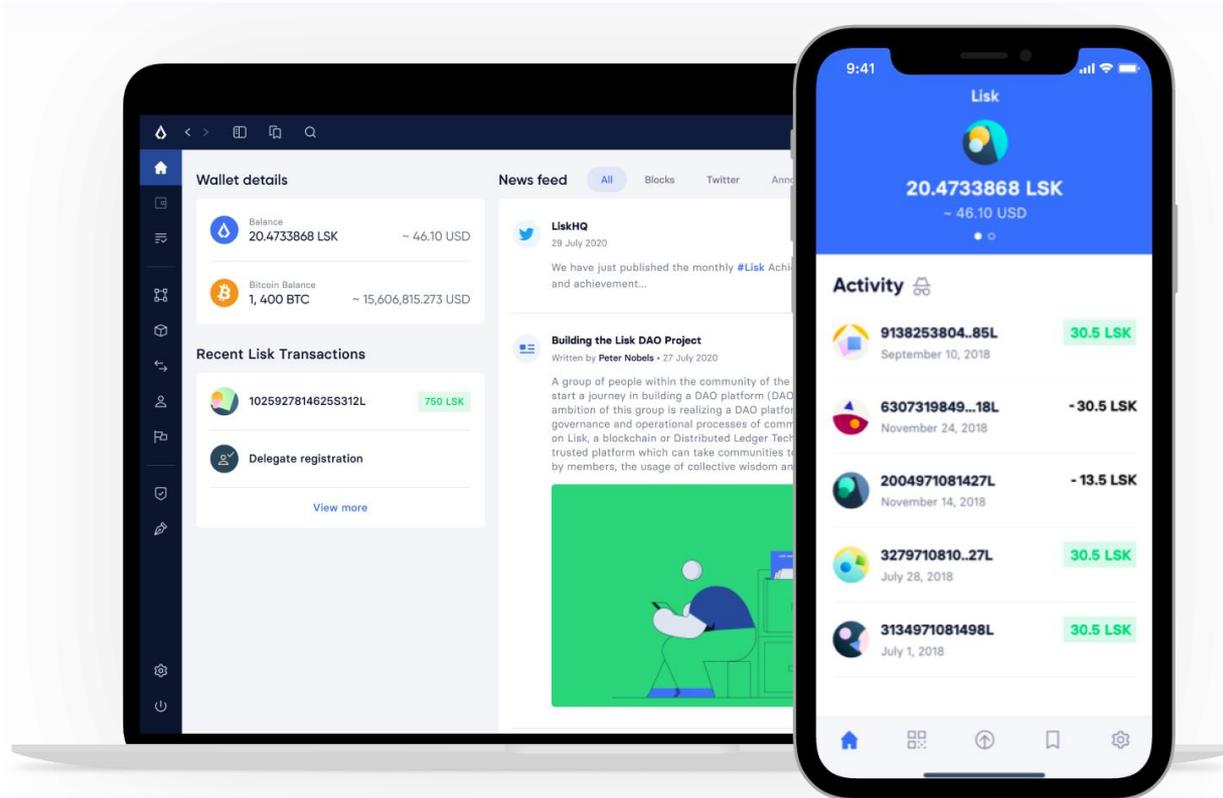
# How to invest



# Options for getting into crypto

1. Buy crypto assets, store in your own wallet
1. Buy crypto assets, store with a third party
1. Buy crypto-backed funds eg ETFs, PIE funds

# Hot Wallets



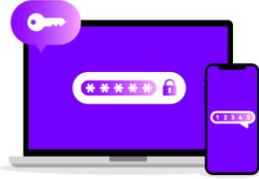
# Hardware Wallets



# Staying safe



# Key rules



1

**Set passwords** or pin-locks on your phone & computer



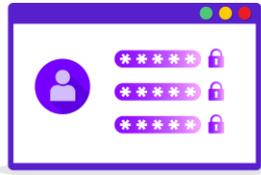
2

**Keep your computer clean** and free of malware.



3

**Back up your wallet(s)**



4

**Use a password manager** to store your passwords



5

**Use a hardware wallet** for added security

# Education



Safety Tip of The Month



With so many DeFi projects emerging out there, it has become imperative to identify and recognize the red flags before investing your time and assets on certain platforms. Learn how you can identify potential DeFi scams and avoid unnecessary risks in the

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# Use only trusted players

1. Are they regulated?
1. What's their track record?
1. Who's behind the company / project
1. Does Easy Crypto say it's safe?

# Remember...

If it seems too good to be true, it probably is!

And - **we're here to help.**

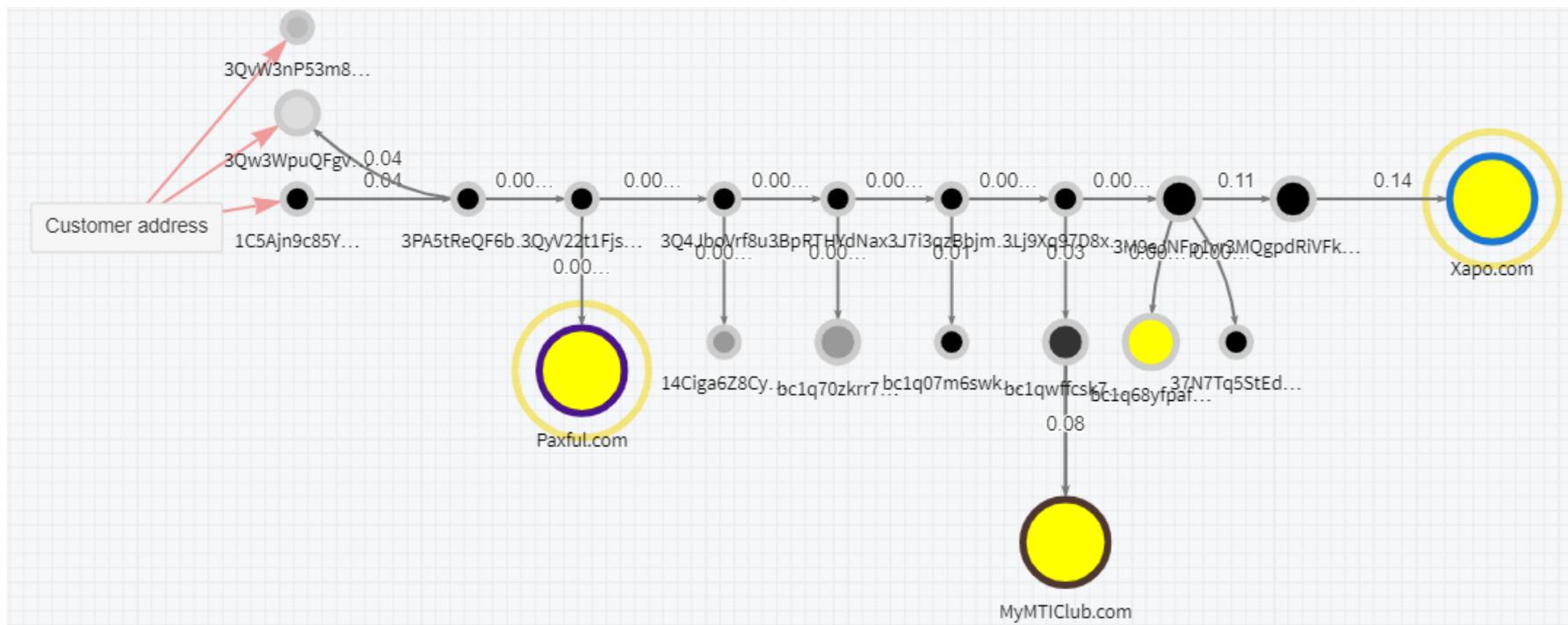


**Questions?**

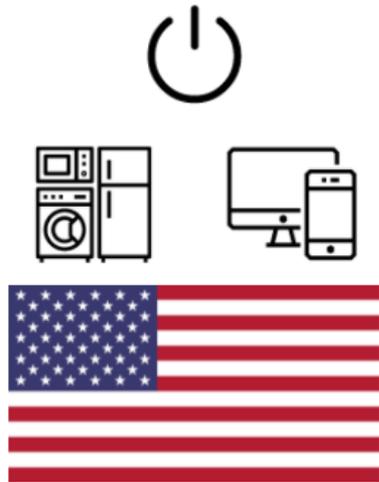
# Crypto myths



# 1. It's used by criminals



## 2. It's bad for the environment



power the Bitcoin network for

**1.9 years**