

Palm/Demystifying Cryptocurrency

# **Demystifying Cryptocurrency**

**A BEGINNER'S GUIDE TO  
UNDERSTANDING DIGITAL**

# **MONEY, NFTS, AND THE METAVERSE**

By

*Chuck Palm*

© Copyright 2022 by Chuck Palm - All rights reserved. It is not legal to reproduce, duplicate, or transmit any part of this document in either electronic means or printed format. Recording of this publication is strictly prohibited.

## **Table of Contents**

Table of Contents	2
Obligatory Disclaimer	5

## Palm/Demystifying Cryptocurrency

What We Will Discuss in This Book:	5
Introduction	6
The Goal of This Book	7
Chapter One: The Problem with Traditional Currency	9
Will OUR Fiat Currency Fail?	10
How Fiat Money is Managed Today	11
Other Central Banks	12
What Can Be Done to Fix Money?	12
Perceived Value vs. Actual Value	13
Digital Currency: A Legitimate Replacement for Money?	14
ALTCOINS – Do They Matter?	15
DOGECOIN: Cute Meme, or Money Mongrel?	15
A Word of Caution	16
Inflation: Does it Affect Crypto?	16
Is Capitalism the Answer?	17
Chapter One Summary	19
Chapter Two – Crypto-speak	19
Coming to <i>TERMS</i> with Crypto	19

## Palm/Demystifying Cryptocurrency

Chapter Two Summary	20
Chapter Three – The History of Cryptocurrency	20
A Brief History of Blockchain	22
Two words – <i>DON'T PANIC!</i>	22
Ethereum 2.0 - The Merge	23
Proof of Work vs Proof of Stake	23
Who is Going to Accept My Cryptocurrency?	24
HODL on, Here We Go	24
World Bitcoin Pizza Day	25
Takeaways From the World of Cryptocurrency	25
Where Do We Go from Here?	26
Chapter Three Summary	27
Chapter Four: Is it Secret? Is it Safe?	28
Can Cryptocurrencies Really Be Made Secure?	29
Sad Bitcoin Stories	29
Another Sad Story About Lost Bitcoin	30
What are Seed Phrases, Private Keys, and Why They Matter	30
Saving your Keys	30
Not Your Keys, Not Your Bitcoin	31

## Palm/Demystifying Cryptocurrency

Crypto Wallets	31
What is Cold Storage?	32
What is Air Gapping?	32
Cold Steel Wallets	32
Chapter Four Summary	33
Chapter Five – Crypto Fraud and Prevention	33
Why Are There So Many Cryptocurrency Scams?	34
NFT's; FRAUD or FAD?	35
Current Encryption and Authentication Methods	35
Ludacris Password Challenge/Response Methods	36
Verifying Identity	36
Passwords and Recovery	37
Can Authentication Be Fixed?	37
Chapter Five Summary	38
Chapter Six: Artificial Intelligence – Big Bad Wolf, or Good Dog?	38
What is A.I., Really?	38

## Palm/Demystifying Cryptocurrency

Fixing Authentication with A.I.	38
First, Do No Evil	39
Good boy, Now Fetch!	39
Artificial Intelligence – It's Not So Bad, Honest!	40
The Matrix and Potty Training	40
Chapter Six Summary	40
Chapter Seven: New Money, New Rules	40
<i>MUST NOT DO RULES:</i>	41
A Word on Rights	42
Chapter Seven Summary	43
Chapter Eight - What the Heck is an NFT? Why is there a Metaverse?	43
My First NFT	44
My First Creator NFT, Now For Sale	45
NFT – What's It Good For...Absolutely Everything	46
Chapter Eight Summary:	48
Chapter Nine: Our Future Currency	48
Future Money	49
Building a New Digital Monetary System	49

## Palm/Demystifying Cryptocurrency

Financial Stability of Cryptocurrencies	50
Hold On for Dear Life	51
Chapter 9 Summary	51
Chapter Ten - Cryptocurrency Exchanges	51
Well Known Exchanges	52
Coinbase	52
Binance.US	52
Crypto.com	52
BlockFi	52
Bisq	53
The Crypto Winter is Coming	53
Cryptocurrency Exchange Failures	53
Why Can't We Invest Smarter, Using Technical Analysis (T.A.)?	54
Chapter Ten Summary	55
NOTES FROM THE AUTHOR:	56
Conclusion	57
About the Author	59
Additional Links you might find useful:	59

## **Obligatory Disclaimer**

*I am not offering any financial or investment advice, now, or at any time in the future. This book is meant to inform and educate people about traditional financial systems versus digital monetary systems.*

### **What We Will Discuss in This Book:**

A history of money

A brief description of crypto terms

A discussion of what's wrong with fiat money and cryptocurrency

A suggestion on how we might fix cryptocurrency

A deeper dive into the technology and trading of cryptocurrency

A brief discussion of cryptocurrency exchanges

A study of cryptocurrency fraud



## Palm/Demystifying Cryptocurrency

A look at NFT's, what they do, and why they have value

A tutorial on how to create your very own NFT!

A discussion of authentication, security and saving your cryptocurrency investment

A suggestion on how to make cryptocurrency better and future-proof

The Future of digital financial systems

### **Introduction**

Admit it, you're probably still a bit confused about cryptocurrency. If not, then you surely must have concerns about it. Not just about the technology, but about its stability, longevity, and likelihood that it will be accepted, when and where you try to spend it. Chances are, you're also a bit more "mature" than the average cryptocurrency investor, and not sure what all the jargon is, or how it is that people are actually making money with it. Then you have all these new "coins" that have been popping up every month. You might also be concerned about timing; did you wait too late to invest in Bitcoin? What about Ethereum? Dogecoin? What about DeFi? What does that even mean?

If you've ever invested in your 401(k), usually through your employer, you've spent money on

## Palm/Demystifying Cryptocurrency

something you probably have no idea how to manage, or even if you can. How is your 401(k) or retirement plan performing? Can you change what *YOUR* money is going towards? Have you even looked at what stocks someone else is buying on your behalf?

(***Warning:*** I would take the time *right now* to find out how you can manage it, because your retirement money is likely subject to inflation, and has been steadily DECREASING over the past few decades!)

By purchasing this book, you have smartly concluded that you should know about cryptocurrency, even if you doubt its influence. Currently, our digital lives, just like our analog lives, are in transition. Everything you hear about today is “virtual”. To believe traditional currencies are safe, at a time when they have become more unstable than at any other time in history, is to bury your head in the sand. Take this time to learn as much as you can and invest a little of the most valuable asset you have, your time, and learn how these new investment opportunities work. Even as this is being written, crypto is going through major changes, and becoming more stable as a market investment vehicle. That also means a lot of the stats and figures referenced here will be out of date before the print dries

## Palm/Demystifying Cryptocurrency

on the first edition of this book. You'll have to include the current information while you do further research.

If you are reading this book to become an overnight billionaire by investing in cryptocurrency or NFT's, this is not the right book for you. I can assure you that those opportunities are just as rare as the billionaires that hold on to some of their wealth and to leave to their heirs.

When talking about cryptocurrency, or related technologies like NFT, it's common to use the shortened form "crypto". What defines Cryptocurrency? Cryptocurrency sounds mysterious. It has *crypto* right in the name. Crypto is short for cryptography, which means secret code. It can also mean hidden, or to blur from its true purpose. It makes sense in context, but it's not about the encryption that makes cryptocurrency special. Why build a monetary system that is already difficult to understand, on top of the word "crypto" which means "*obscured?*" Because by its very nature, it is.

If you have a basic understanding of crypto, and want to learn a bit more, or *have absolutely no idea what I'm talking about*, then you're in the right place.

Crypto, as a whole, is still in its early growth spurt. And like any teen, there are growing pains, hormones, and pimples all over its face. It's not too sure

## Palm/Demystifying Cryptocurrency

of itself yet, and way too awkward to invite anyone to the school dance! But that is changing, and like any other growing lad, crypto will soon hit its stride, and turn into a rock-solid stud by the end of its senior year!

If you have not yet guessed, I tend to take a lighthearted bend on something that so many have taken so seriously. I find it funny that there are two extremes to cryptocurrency advocates. Some are super-serious, and want to talk Technical Analysis all day, bring up wild investment schemes and clubs, and come off like used car salesmen Or super-nerdy, super-smart kids that are “finally going to get even” with you for teasing them when they were the awkward teen. Some of the crypto shows that are out there in Podcast format, or even on streaming news channels look and sound like the hosts have not left their parents’ basement since middle school, but now they know a bunch of cool-sounding words and have some expensive video hardware with which they can’t wait to show you how smart they are.

(Oh yes, that reminds me, don’t let me forget to get you to subscribe to my podcast, “Demystifying Crypto”, on a favorite podcast platform near you. I got some super-cool new video hardware, and a studio, which is not in my parents’ basement...)

## **The Goal of This Book**

## Palm/Demystifying Cryptocurrency

If you walk away after reading this book with a better understanding of just one of the topics in the chapters below, I will feel like I have succeeded. I wrote this intending to educate, entertain, and inform, not make you a millionaire (or billionaire, thanks Elon). Hopefully, I can even open a dialog with people born before 1990 and assure them that they are not too old to learn about this “*new-fangled crypto thingy*”. I’m not saying you are old if you were born before 1990, but let’s face it, if you’re over 30 and don’t own at least 1 pair of reading glasses, your time is coming!

Technology often takes dramatic leaps, like in the 1970s when NASA’s Apollo mission developed wireless technology, advanced vibration sensors, cordless drills, and other advancements that eventually filtered down from military to commercial use. It is these periods of advancement that come from inspiration, desire, and need.

*“If we command our wealth, we shall be rich and free. If our wealth commands us, we are poor indeed.” --Edmund Burke*

Wealth is how some measure success, rightly or wrongly, it has always been as such. Money has meant

## Palm/Demystifying Cryptocurrency

many different things, to a hungry man, a loaf of bread is money. He can be paid in bread for the work he performs for the man who owns the bread. Money has been around in one form or another, in lieu of trade for goods, for centuries.

The Chinese used the *cowrie mollusk shells* from the Pacific Ocean as money since before 1200 BCE, making it the most widely and longest used currency in history. It was a token that represented some value and was agreed upon by those who traded them for goods and services that they needed. Before that, cattle were the currency most people traded in, but cows are hard to carry around in your pocket.

The convenience of money in smaller, easy to carry forms changed the way people traded, acquired things, and managed their accounts. The King was also a lot happier when taxes came to him in the form of gold, paid by the Lords of the land, for it was much easier to keep in the vault than cattle. The coin of the realm was gold, and life was good, if you had it.

The Romans were famous for their wealth, having sophisticated money-changing systems in place since biblical times, but they were also the first Government to dilute their currency, adding scrap metal to their coppers, making them less valuable for trade. Guess what happened next? *Inflation*. The people got wise and wanted their real metal back, causing a run on

## Palm/Demystifying Cryptocurrency

the coin, and collapsing not only the value of Roman currency but ROME itself. More about this later, when we discuss how inflation devalues money.

As humans became more sophisticated, and acquired vast treasures, the desire for bigger and bigger things made it necessary to trade these metal trinkets in larger quantities. And the more metal you had to carry, the more vulnerable you were to attack on the road from highwaymen, simply because of the weight of it all. Enter paper money.

Paper money solved a lot of those problems. It could be printed in higher denominations, was relatively light, and was exchangeable for smaller bills. So, as long as you had something backing your “bank notes”, like the gold in the treasury, you were relatively assured you could transact your business without breaking your back carrying all that shiny gold, and you could conceal it much more easily than thousands of pounds of bullion! Eventually, banks kept the gold, printed more paper, and told you that it was backed by the “good faith and credit” of the issuing body, usually a government, ruling entity, or another group of banks.

Today, money can be digital, and traded for other “digital assets”, like weapons or armor of old, but now it’s used in an online multiplayer multiverse of imagination. Does that mean digital money has value? It does if you want to buy that upgraded spell for your

wizard, or a nice pair of boots to match your character's cloak. But what about actual value? Is it something that can be spent outside of a game? Does that make *digital* money *real* money? Bitcoin, Ethereum, and other blockchain coins would like you to think so. It can be traded, much like stocks, on one of several exchanges, and can be converted, and spent like actual dollars IRL (In Real Life, for you non-gamers out there). So, what does that mean for fiat currency, otherwise known as real dollar bills? Are they becoming obsolete? Let's take a look at the "money" problem.

# Chapter One: The Problem with Traditional Currency

Terms in this Chapter:

1. **Blockchain** - *blockchain is essentially a set of connected blocks or an online ledger. Each block contains a set of transactions that have been independently verified by each member of the network. Every new block generated must be verified by each node before being confirmed, making it*



## Palm/Demystifying Cryptocurrency

*almost impossible to <sup>1</sup>forge transaction histories. The contents of the online ledger must be agreed upon by the entire network of an individual node, or computer maintaining a copy of the ledger.*

2. <sup>2</sup>**Peer-to-Peer - (P2P)** financial transactions are one of the core premises behind DeFi. A P2P DeFi transaction is where two parties agree to exchange cryptocurrency for goods or services without a third party involved. These A-to-B contracts are the basis behind most crypto transactions. When an online company, or an app, take a fee to help facilitate these transactions, this is called a Crypto Exchange. More about Crypto Exchanges later in the next chapter.

---

1

<https://www.investopedia.com/cryptocurrency-software-wallet-methodology-5221146>

2

<https://www.investopedia.com/decentralized-finance-defi-5113835>

## Palm/Demystifying Cryptocurrency

Let's go back one hundred years, to when money had real value. It was backed by gold, at least here in the good old USA. "The gold standard" was not hard to understand. Each dollar in circulation around the world was backed by \$1 in gold, held in the most secure bank in the world, Fort Knox, in Kentucky. You knew that time you spent \$1, here, or anywhere, it was secured with real value in gold. President Nixon removed us from the gold standard in 1971, in a move known as the "Nixon Shock". Today, there are rumors that Fort Knox is boarded up because it is completely empty.

Money in 1922 was largely held by the top 2%. Today, most "big" money is still largely held by the top 2%. It's not a big surprise and has little to do with anything other than those top 2% of people know how the game works and are close friends with those people who dole out the funds, in the shape of loans, incentives, and grants. That will not likely change anytime soon unless the people take back their power over their money. That is the purpose of Decentralized Finance (De-Fi), and why the movement is becoming so popular.

The problem with money is historical, even biblical. You don't have to go back too far to understand how it went off the rails. If you go back to 1922, where currency had some real value backing it, it also had some real benefits, not the least of which is

## Palm/Demystifying Cryptocurrency

convenience. Money was accepted everywhere. It was largely made of paper, and smaller, lighter coins made of metal, so it was durable. It was also easily divisible. The denominations made it simple to “make change” and give back the excess.

Today, it’s still in use, albeit in a different value structure, it’s still pretty much accepted everywhere, and easy to use. We have been using “digital” money for decades, spending on accounts and credit cards that circulate funds around the world, twenty-four hours a day. For now, you can still buy a hot dog at a stand, and get change back from a \$20 bill, (unless it’s from a gourmet food truck!).

To be prepared, most people think you must save. That is partially true, but to save, you must earn more than you spend, and not give into temptation. Sometimes, you can play it smart, and predict what might happen with an investment, say in a stock or piece of property, but again, you need to have the resources to be able to afford to buy the stock or real estate that may or may not go up in value. That sounds a lot like gambling. I’m not a betting man, but I would not be holding a lot of fiat currency, there appears to be a shift coming in the financial landscape. The powers that be, here in the US and in the global arena have already spoken publicly about their intent to shift into

## Palm/Demystifying Cryptocurrency

global digital currencies. You need to prepare for a shift in the financial landscape.

Why take my word for it? I challenge you to find any government-backed currency, which is not staked by some tangible asset, like gold or oil or something that is in demand and tell me how they fared. I'll give you a hint, not one fiat currency that was devalued by its governing body is still around today. They have ALL failed.

### **Will OUR Fiat Currency Fail?**

***“Are you saying that the U.S. DOLLAR will FAIL? That can’t be right!”***

I’m simply saying that in March of 2022, President Biden signed an executive order that sets a one hundred eighty-day deadline for a series of reports on "the future of money" and the role that cryptocurrencies will play in the evolving landscape. It also calls for the exploration of a potential digital version of the U.S. dollar. At the time of this printing, these reports are still in progress.

Since this indicates that the dollar may be “converted” into some form of a cryptocurrency, it makes sense that there will be a conversion rate. This has never gone well for countries that must convert

## Palm/Demystifying Cryptocurrency

their existing currencies into a new fiat currency, without a backing instrument like gold, silver, or a majorly traded commodity. The European Central Bank, as well as other major lenders and financiers are considering their own digital financial system to replace fiat currency.

When the US got off the gold standard, it caused a collapse of the dollar as a worldwide pegged currency, and other countries went back to a free-floating fiat currency of their own. At the same time, the real value of the US dollar lost 20%, and our old friend *inflation* raised its ugly head again.

In Europe, the EU also converted several countries' currencies into one fiat currency, known as the Euro Dollar (€). Italy, Portugal, Greece, and Spain were already in debt, and unifying the currencies was the most painful for Germany, which had recently undergone unification with East Germany, and it's estimated the German people lost as much as 40% of the value of their savings, according to some who were there at the time.

Throughout history, any financial system that has existed, has done so for only about forty to fifty years. The current financial system that has made fiat currencies from multiple countries independent of any real "pegging" to a solid value commodity is already about sixty years old.

## How Fiat Money is Managed Today

<sup>3</sup>You may or may not be aware, but your government does not manage your money, interest rates, or who gets huge bailout loans. That task is delegated to a central bank. <sup>4</sup>In the U.S., the Federal Reserve System (FRS) is arguably the most powerful financial institution in the world. It has a board that is composed of seven members, and there are twelve Federal Reserve banks with their own presidents that represent a separate district, in different regions of the U.S. The Fed's main duties include conducting national monetary policy, supervising, and regulating banks, and attempting to maintain financial stability in the U.S. marketplace.

\*NOTE – The Federal Reserve is neither ***Federal***, nor ***RESERVED!***

They are bankers, of the top five or so largest US bankers, and pretty much work independent of policy or influence of the US Government. They must obey laws, and they often consult with other agencies, but they are not regulated directly by our government. Take away what you will.

---

<sup>3</sup> <https://www.investopedia.com/articles/03/050703.asp>

<sup>4</sup>

<https://www.investopedia.com/terms/f/federalreservebank.asp>

## Palm/Demystifying Cryptocurrency

I would insert a few examples of how decisions of the Fed have impacted the value of the dollar negatively, even when trying to stave off recession.

For a really well written look at the Fed's mandate and operations, check, out this link:  
<https://www.investopedia.com/terms/f/federalreservebank.asp>

### **Other Central Banks**

<sup>5</sup>The European Union has their own version of the Fed, known as The European Central Bank (ECB). Its main function is to manage price stability in the European Union and the Eurozone currency union. The ECB decisions on monetary policy and banking supervision are made by the ECB Governing Council made up of six executive board members and a monthly rotation of national central bank governors, who are selected from Germany, France, Italy, Spain, and the Netherlands. Much like the Fed, the ECB can control interest and deflation by managing the flow of currency of its member nations that deal in the Euro.

## Palm/Demystifying Cryptocurrency

Suffice it to say, learn what you can about these agencies, and prepare to see some *shenanigans*, whenever you leave the control of huge amounts of money in the hands of bankers!

You can draw your own conclusions, but it's hard to dispute that governments and non-governmental banking organizations have shown they will take every advantage to control fiat currency rates, conversions, lending, and other arrangements to their advantage. All of this outside of your influence. Just remember that the next time you try to get a bank loan from one of the big moneychangers.

### **What Can Be Done to Fix Money?**

Anything of value can be money, as we already know. How do you establish the baseline? When do three hens = one goat? Or four goats can be traded for one cow? Who determines the value, or the ratio of hens to goats? It's up to the same old, well established trade systems, *perceived, or agreed upon value (PAV)*, + *supply and demand (SD) = actual value (AV)*.  
(PAV+SD=AV or \$\$) In its purest form, this is the root of true *capitalism*.



## Palm/Demystifying Cryptocurrency

Whatever you have an excess of that you are willing to trade, vs. what you need, and what you are willing to pay for your needed items, establishes your base. Sometimes, you get stuck paying the “market value” for something, even if you don’t entirely agree with its calculated value.

If you like swordfish, but the catch is low this season, you will pay more for it, due to its scarcity, the supply of swordfish vs. demand for fresh seafood. The reason you need to really understand this concept is that the *perceived value* of something is really all that matters, if both the seller and buyer agree on the price that is to be paid.

### **Perceived Value vs. Actual Value**

This concept, more than most, is responsible for why cryptocurrencies are valued at what they are. *Perceived value* is just that, perceived to be something worth the price, by those who are willing to purchase that commodity at that price. This is also sometimes called speculation, because you don’t know what the actual last selling price is. If you bought a Beanie-Baby for more than \$6.99 in the 1990’s, and thought you were going to sell it for \$100, you’ve participated in speculation in the *market for collectibles*. This can also

## Palm/Demystifying Cryptocurrency

play into the value of any given NFT, at a particular moment in time, but more on that later.

*Actual Value* is when we all agree on the value of any item, are willing to pay that price, and it can later be sold for nearly the same amount, within a short period of time. In a fiat currency, if we can conduct equal trade, anywhere in the world, with a one-to-one exchange of that currency, that is an agreed price.

If you bought your Beanie Baby at Target for \$6.99, that was the ACTUAL VALUE at the time, but not necessarily the value.

If we are all carrying the same kind of currency, digitally or otherwise, it's called *fungible*. That's a fancy word saying that they are interchangeable. So, what is it about that currency that makes it better than any other form of payment?

Digital currency is perceived to be secure, convenient, and reliable. Now, this statement is *mostly* true. In ten years, will that still be the case? What assurances do you have that someone in a huge, multinational, world bank will not decide to switch it out for something that is more favorable to *THEM*, without so much as consulting *YOU*? What about the technology behind the coin you've moved your entire life's fortune over to? Will it continue to perform? You have no such

## Palm/Demystifying Cryptocurrency

assurance, and it is unlikely that anyone in the financial realm will ever ask your opinion on the matter.

We have established that fiat currency that has no backing is doomed for failure eventually, and that the perceived value of any asset is what it is actually worth. So, who is to say that digital money is not real? Who is to say that the value of a highly traded stock, like TESLA, is real? How much do you trust the company? How much do you know about how it will perform in the future? If you are honest with yourself, probably not a whole lot. The value of the stock is subject to the same perception/value/worth equation, if you think it's a good value, and you have the available funds, chances are you'll take the risk. The same is true for any digital asset, cryptocurrency, or NFT (non-fungible token).

### **Digital Currency: A Legitimate Replacement for Money?**

<sup>6</sup>Cryptocurrencies such as Bitcoin are digital currencies not backed by real assets or tangible securities. They are traded between consenting parties with no broker and tracked on digital ledgers. What if

---

<sup>6</sup> <https://www.investopedia.com/cryptocurrency-4427699>

## Palm/Demystifying Cryptocurrency

digital money was to become the new money in circulation for all trade in the U.S.? Will you trust it? A lot of people did not trust the dollar when it came off the gold standard in 1971, especially people in foreign countries who were holding dollars as investments. They wanted their gold back. Americans took on a huge burden when a lot of that money came back, and guess what? It caused *inflation*! *AGAIN*! Digital money is not likely to do that. But when the value of a Cryptocurrency goes down, or crashes all together, you will lose all that you had invested in it. Currently, there are literally over one thousand choices for crypto coins, NFTs, and blockchain investments. How do you know which one to choose? Who do you think will win? Are you sure Bitcoin, Ethereum, or even Dogecoin will be around ten years from now? What do you think these all have in common? They are all vulnerable to the same future money problem.

Let's look into the future of money. We all agree that whatever money system we will use will most likely not be in the form of paper or metal disks. Fiat currency (or hard coin and paper money) is on the way out, and there is not much you or I can do about it. This presents a problem for the future of money. It will likely become more difficult to manage, and you're going to need some kind of device, with access to a network, which can transact the simple purchases you make, if all currency goes digital. So will the vendor of those goods

## Palm/Demystifying Cryptocurrency

and services. We all have a cell phone, right? No, not really. There are literally millions of people in countries all over the world who don't own any kind of digital device that has access to the internet. In some of those countries, entire families share one device, one phone number, even one email address. How will they gain access to those digital funds everyone is talking about?

The future money problem is global, as well as technical. But it starts here at home. Why should you worry about someone on the other side of the planet that may or may not have a connected device? Mainly, because if history repeats, they will likely be the ones supplying many people of the world with goods, raw materials, and labor. How do we make things equal for them? How do I know that they will have access to the funds that I use to buy things, and verify that they get paid for their part in its production? PayPal, Zelle, Venmo, and other "peer to peer payment networks take fees and require your recipient to sign up with a unique email address and/or phone number, so they are not likely to work everywhere you go.

To make matters worse, when we're all using cryptocurrency, or some equivalent, how will we be able to travel to remote places, off-grid, or third-world countries, and conduct transactions, exchange our digital currency for the local coin, if their people have not adopted *our* non-fiat money? What about popular

vacation spots that are remote, which is part of their appeal? There are still a lot of places where internet connectivity is spotty at best, and electricity even more so. Some are right here on this side of the world, like the Bahamian islands and the Philippines, where weather and geography still play havoc with your ability to phone home. This means, in a hundred years (or less), unless these “dark spots” on the globe are somehow lit up, money will not fungible, (another word for equal, or tradeable one to one) or the same, all over the world. We’ll need to build a lot of infrastructure around the globe to fix this problem. If this fails, then the entire world will feel the effect, again, simply because of scarcity, or supply and demand.

### **ALTCOINS – Do They Matter?**

<sup>7</sup>Altcoins, or coins other than Bitcoin, play a significant role in the overall cryptocurrency market. They make up more than 90% of the volume of trades involved in digital currency, but combined they still pale in comparison to the king of the hill, Bitcoin.

Bitcoin is still the ‘top dog’ because it has the most value, most trades, most investors with the most money, but mainly, because they were first with a solid

structure for trading on the blockchain. Sometimes, being first is enough, even if it's not necessarily the best.

### **DOGECOIN: Cute Meme, or Money Mongrel?**

Sometimes, the Internet does things that no one can explain. LOL-CAT memes, FAIL Army, and Doge come to mind. The latter, a meme based on a cute breed of Japanese hipster-dog called Shibu Inu, has set Cryptocurrency on its haunches.

<sup>8</sup>Dogecoin was open-source cryptocurrency started in 2013 by Jackson Palmer and Billy Markus, loosely based on the Litecoin standard. Started mainly as a joke, Palmer and Markus launched the coin on Dec. 6, 2013. Two weeks later, on Dec. 19, the value of Dogecoin jumped 300%, perhaps due to China forbidding its banks from investing in cryptocurrency.

In 2019, Dogecoin had a major jump in value, along with the rest of the crypto market. A major crypto exchange, Binance listed the coin, and Elon Musk had endorsed the coin in a cryptic tweet about the dog-meme-based cryptocoin. Musk has openly supported Dogecoin in 2021, tweeting again in May of 2021 that he was working with the coin's developers to improve transaction efficiency. Elon Musk is known for

---

<sup>8</sup> <https://www.investopedia.com/terms/d/dogecoin.asp>

## Palm/Demystifying Cryptocurrency

having some fun at times at the expense of more serious people, and Dogecoin was no exception. At about the height of the DOGE craze, Elon was hosting Saturday Night Live that same month, and he dealt DOGE investors a major blow, by sarcastically calling cryptocurrency “a scam”.

I watched the price of DOGE live, as he tanked his favorite pet-crypto. It went from a high of \$.69 to about \$0.11, and in the days following, where it continues to hover around \$.06. People who took him and DOGE seriously, lost MILLIONS because of a joke. This is not the first time his comments have had a major impact on a market and has prompted the Securities and Exchange Commission to investigate his intentions, and lose major credibility as a market influencer with some diehard fans.

### **A Word of Caution**

As you now understand it, any investment can be influenced by even the most unlikely sources. Elon Musk did not intend to do damage to DOGE, or the crypto market in general, and he did issue a warning to crypto investors the day before his now infamous appearance on SNL. In a tweet, Elon said: “Cryptocurrency is promising, but please invest with caution”!

### **Inflation: Does it Affect Crypto?**



***“A nickel ain't worth a dime anymore. --Yogi Berra”***

Fiat money is the same worldwide. It can be traded for equal value, and exchanged (for a fee), so you can use it in other lands that have their own fiat currency. When paper currency goes away, there will be few choices to buy things. You will either adapt, and use what the consensus believes is money, or you can prepare now, and take back the power that money gives you. Money is not wealth. Freedom and time are wealth. Money is only the most popular method to have more free time to go and do as you please. (*I've never noticed that before, the phrase “free time” is what money buys you.*) Of course, it buys you *things*, but most things go away or get used up, just like *time*. To have the freedom that comes with money, you must make use of your most valuable resource, which is also in the shortest supply, *your time*. Every second that passes, makes the remaining ones more valuable. The worst part is that you never know how much time you have left in that bank! In 1922, \$1 would have been worth about \$18 dollars today. How does that happen? One word – inflation. I'm no economist, but I know how to use Google. There are two main factors that cause inflation:

## Palm/Demystifying Cryptocurrency

\*1. The demand for goods and services in the economy exceeds the economy's ability to produce them with demand-pull inflation. This short supply places upward pressure on prices. This gives rise to inflation. In other words, when boats can't deliver supplies to truckers and ultimately to stores, costs of those goods go up.

2. Cost-push inflation occurs when the rising price of input goods and services increases the price of final goods and services and causes inflation. An oil crisis often causes a decrease in the oil supply and an increase in the price of petroleum, an important input good. The rising price of petroleum puts upward pressure on the price of final goods and services, leading to a temporary increase in inflation. In other words, things cost more when gas costs more.

If you read deeper into this, any shortage of supply, for any reason, is the main reason things cost more. If it lasts long enough, it will affect more and more products, since most things we want are usually tied together. Just like money being tied to a "imaginary" standard, the cost of things can go up because people outside of the supply chain can make decisions that affect the availability and value of goods needed to keep the world balanced.

How does that impact the world of cryptocurrency? When setup properly, it does not.

## Palm/Demystifying Cryptocurrency

There are no outside influences that effect the availability of crypto coins, other than the creator's rules, or possibly, the hard, fiat currency that they are pegged to.

Coin creators may limit the number of available coins, or set a cap, or a split, to attempt to keep things fair and balanced. The coin creator may even tie their coin to a real-world value, called "*pegging*" and base it on something like the US Dollar, but the value of *MOST* of the world's cryptocurrencies is based on the same age-old rule, supply, and demand. This is a way that fiat currency inflation may affect the value of your invested coin.

Money, created from nothing, with no value holding it up, is simply currency. The value of that currency can fluctuate, based on whatever you believe that value is, compared to hard goods that are in demand. Unless money 100 years from now is based on something other than the trust of the issuer, then we will still be faced with inflation in the future. It is inevitable. Inflation will continue, as long as banks, governments, and whale investors can affect the supply or demand of any particular currency.

### **Is Capitalism the Answer?**

Don't confuse this with a political statement, this is

## Palm/Demystifying Cryptocurrency

simply a statement of pure, untainted trade, going back centuries. If you are selling fish at a price no one will pay, you must either lower your cost, or the next fishmonger will get all your business. If you're paying your fishermen too much, or the cost of your boat slip or net repairs are too high, you may need to adjust your business plan or go broke. If your competition is getting an unfair advantage from the dockmaster, in the form of a discounted slip rate, that is inequitable, and is not true capitalism. Whoever gives an unfair advantage to one business over another should, (and would have been) exposed, and customers would not deal with him anymore.

Pure capitalism is a self-leveling system and is very rare today. Every business is looking for ways to reduce cost, and increase profit, and there is nothing wrong with that. If you're getting tax breaks, or incentives for acting in a certain way, you're not a capitalist system. Taxes are rarely, if ever, instituted fairly, and we could write an entire book on that topic alone, but suffice it to say, everyone writes off whatever the IRS says that they can, in order to pay fewer taxes.

Virtually everyone today is using technology to make their lives more convenient. In fact, it's likely that you've filed your taxes electronically this year, and either paid more or got a refund electronically. If you

## Palm/Demystifying Cryptocurrency

understand that it actually helps the IRS, then you are ahead of the game.

Of the trillions of dollars that the US Government spends each year, the IRS is responsible for collecting it from businesses and the people that earned that money in America. No system in history has seen more wealth pass through their coffers, and it flows like the Mississippi River, never stopping, and ever increasing. Again, take from this what you will, but that amount of money going out faster than it comes in is bordering on obscene. Where is the accountability for how much is being spent, and to which cause? How much say do you have? Your elected officials are supposed to be the watchdogs of this spending, but do you trust that's what they're doing? It's not for me to judge, it's for everyone who makes money or earns a paycheck in America. So, I ask you, are you willing to turn the important decision of how the future of money will be managed over to them?

The next important question is who do you trust to come up with that system, to create a fair and level trading platform, and establish rules that don't benefit the top 2% currently managing more than 90% of the entire world's wealth? Do you believe they will work in your best interest? Maybe you want to trust big tech companies to make those decisions? It seems like the crypto community does not put much faith in them at

## Palm/Demystifying Cryptocurrency

the moment. The entire decentralized finance system, or **DeFi**, seems to be less trusting of large tech firms than even large banks or governments of the world.

It's a bit ironic, given that the solution most people are betting on resides in a tech solution. The appearance is that the current climate is hoping that one gladiator, or some knight in shining armor, will emerge from the battle for “crypto dominance” as a clear winner. His battle scars and war wounds showing the world he has survived and emerged victorious.

The real world looks at this battle and continues to shake its collective head and sigh. All they see is a battle over something they don't understand, and even fear to some degree. They hear words like “*Artificial Intelligence*”, and “*programmable currency*”, and lose their minds. You hear things from uninformed people like “They're going to give us trackable, fake money!” and “we're going to lose every last bit of our privacy”, or “they'll be able to control what and how we buy things” they all say. I'm not trying to scare anyone, but I have heard some of the same stories.

Depending on who makes the rules about currency, a few of these ideas have been floated. I for one, don't believe it will work, because many people are already aware of the scheme. I suggest some solutions for these issues later in the book. Read on, become informed, and thereby less fearful.

## Chapter One Summary

- The rules of cryptocurrency are not clearly defined, and there is no entity to take responsibility for fixing it.
- American money used to be backed by gold, now it is the good faith and trust of the U.S. government. That should not make you feel secure.
- Fiat currency, or money without any real value, is subject to inflation, and if outside forces control the supply, it always will be, making the value of assets you hold worth less and less.
- Digital currency may have gotten its start in gaming, but it has been around 20+ years, and the blockchain that runs Bitcoin for 12 years now. This means it 1200 in internet-years, and likely not to survive in its current state. People will continue to patch it, if it makes economic sense to do so, but it most likely needs a total overhaul.

## Palm/Demystifying Cryptocurrency

- Even if the blockchain code is redesigned or patched, its basic premise is flawed, taking too long to conduct and verify transactions, and because of its design, it will only get worse.
- Transactions in the real-world using Bitcoin are not as secure as you think, and already take 30 minutes or more to complete, leaving the vendor on the hook, should your transaction not clear.

## Chapter Two – Crypto-speak

### Coming to TERMS with Crypto

There are a lot of new terms, acronyms, phrases, and abbreviations coming to life as a result of the crypto craze. It might be difficult to follow all the new language coming out in the Web3 movement, so instead of making you jump to the end of the book to find out what a term means, we've gone through the chapters one by one, to identify what may be difficult to follow, or some obscure, crypto-related term. We hope this will



## Palm/Demystifying Cryptocurrency

make it easier to read, and grasp this sometimes overly techie industry.

.

In Chapter 3, we'll talk about the history, network, and finance side of Crypto, blockchain and DeFi, and what they mean to you.

### Chapter Two Summary

The crypto industry has spun off a whole new lexicon of terms, acronyms, memes, and sayings. Staying on top of these is a full-time affair, don't be embarrassed if you did not understand the slang the first time you heard it!

## Chapter Three – The History of Cryptocurrency

Terms in this Chapter:

1. **Bitcoin** - *a virtual currency designed to function as money and a form of payment outside the control of any one person, group, or entity, and thus removing the need for third-party involvement in financial transactions. It is rewarded to blockchain miners for the*

## Palm/Demystifying Cryptocurrency

*work done to verify transactions and can be purchased on several exchanges. At the time of printing in Q4 2022, it was still 94% higher valued than its nearest competitor, Ethereum.*

2. **<sup>9</sup>Cryptocurrency** - Cryptocurrencies are digital or virtual currencies underpinned by cryptographic systems. They enable secure online payments without the use of third-party intermediaries, like banks or cash exchanges. "Crypto" refers to the various encryption algorithms and cryptographic techniques that safeguard these entries, such as elliptical curve encryption, public-private key pairs, and hashing functions.
3. **Blockchain** - blockchain is essentially a set of connected blocks or an online ledger. Each block contains a set of transactions that have been independently verified by each member of the network. Every new block generated must be verified by each node before being confirmed, making it

## Palm/Demystifying Cryptocurrency

*almost impossible to <sup>10</sup>forge transaction histories. The contents of the online ledger must be agreed upon by the entire network of an individual node, or computer maintaining a copy of the ledger.*

*DeFi - Decentralized Finance, or DeFi, is a way to pay, transfer funds, and manage currency outside the normal chain of banks, credit cards, or lending institutions, and is not currently regulated by any financial or government body. For this reason alone, there is a lot of fear associated with it. It is often associated with crypto but may be a standalone service that offers a digital wallet, instead of a traditional account. Since most of these institutions want to play in the larger realm of regulated banking, they often treat your accounts like a bank would, offering tax reports, statements,*

*and other things that make them look credible*

4. <sup>11</sup>**Mining** – The process of mining is necessary to maintain the ledger of transactions upon which the crypto is based. Miners use massive computer rigs dedicated to the processing of huge amounts of data on the blockchain. The first bitcoin miners were rewarded with Bitcoin and helped to ensure the viability and integrity of the blockchain. They have since formed mining coalitions, or large groups, to assist in this huge undertaking. The mining process also confirms transactions on the cryptocurrency's network and makes them trustworthy. Bitcoin miners aggregate mining systems that consume massive amounts of electricity to mine the cryptocurrency. For this reason, China and other areas restricted or forbade mining operations using their electric grid. Newer systems are much more efficient, and less expensive, but as

they run today, they still require huge processing powered PC's, using special GPU chips.

5. <sup>12</sup>**Satoshi** - The satoshi is the smallest unit of the cryptocurrency bitcoin. It is named after Satoshi Nakamoto, the founder(s) of the protocol used in blockchains and the bitcoin cryptocurrency. The satoshi to bitcoin ratio is 100 million satoshis to one bitcoin. To get the satoshi to U.S. dollar rate, divide the current market price per bitcoin by 100 million. To get the number of satoshi per dollar amount, divide the dollar amount you want by the satoshi to the dollar rate.

### **A Brief History of Blockchain**

Blockchain might appear on its surface to be a revolutionary new way of dealing with money, especially online. The perception is that it is unbreakable, it is safe, it is going to be here for a long time, and it has some real value. The exact opposite is true.

\*Decentralized currency is by no means a new technology. In fact, Bitcoin was not even the first at

---

<sup>12</sup> <https://www.investopedia.com/terms/s/satoshi.asp>

## Palm/Demystifying Cryptocurrency

creating a cryptocurrency that was attempted. DigiCash, created by David Chaum in 1995 is credited with creating some of the first code that laid the foundation for blockchain, the most used protocol in crypto. That's a full ten years before Bitcoin actually caught on. His "blinding signature" protocol set the stage for the encrypted ledger software that is the backbone of Bitcoin, Ethereum, and other similar digital currencies that are trading today. Twelve years later, Bitcoin has seen its ups and downs, with its high price trading around \$69k, and its price at the time of this printing in late 2022, around \$20k. In comparison to other, easier forms of counterfeiting, Bitcoin on the blockchain is fairly robust. Still, the fact remains that Bitcoin is not entirely secure as advertised.

***"Why did you say it's not secure? What do you really mean? Is it not going to be around forever? If this is true, should I dump all my Bitcoin?"***

### **Two words – *DON'T PANIC!***

Bitcoin is not going anywhere anytime soon, the billions of dollars invested in it by major players will see that it somehow manages to survive. If "whales" continue to buy and sell huge amounts of cryptocurrencies, there will be people around to help keep it up and running.

## Palm/Demystifying Cryptocurrency

The most common way the blockchain is maintained is by *miners*. Not underaged children forced into digital labor camps, but actual groups of people with dedicated hardware solving the blockchain's massive coding nightmare. These are usually groups of people with very expensive hardware and tons of bandwidth, electricity, and the time necessary to maintain these rigs, and maintain the ledger, in exchange for newly minted bitcoin. This maintenance network has a diminishing return, as the more transactions take place, the longer the chain, the more power and effort is needed in maintaining it. Every transaction that has *EVER* taken place using a bitcoin becomes part of the chain and passed along in the ledger to every other bitcoin owner on the network. It has become so costly in resources that the Chinese government outlawed bitcoin mining in 2021 and demanded all the servers inside their territories be shut down. Believe it or not, this forced deregulation has given China a lot more energy to deal with their growing demand on their power infrastructure. This also gives great pause to the idea that it is a sustainable, renewable source of income, let alone the ever-slower speeds at which transactions happen because of its massive size. Today, it can take as long as a half an hour or more to verify a bitcoin purchase. That means that an instant transaction, like buying groceries at the store checkout line, cannot be fully authenticated, and vetted

## Palm/Demystifying Cryptocurrency

before the exchange of goods for coin. Can you imagine having to wait thirty minutes before you can take your groceries home?

Ok, since we now know that the more bitcoin is used, the bigger the blockchain becomes, how can this continue for the long term? Simply put, it can't. It needs to be stripped down, re-written, and redistributed to go on past the next few years or so. ***“Well, surely someone has thought of that? Are they going to fix it?”***

Yes and no. The originator of the Bitcoin blockchain, an alias by the name of Satoshi Nakamoto, is responsible for the primary code being released. The problem is, he (or they) is not around to fix it. The person or persons responsible for releasing this ever-growing, bit-consuming snake remain anonymous. The code itself is published as “open-source”, meaning that anyone can read it and write new code, and that means anyone can tamper with, improve upon, or worse, make it less stable, by trying to fix what by design will eventually fail under its own weight. There are coders constantly trying to improve upon it, but let's face it, it is ten-plus year old technology, that in real-time on the internet, means it's a dinosaur. At best, it is an inelegant design, and needs to be put to pasture.

In 2020, there were reported cases of outright theft of Bitcoin, proving that the blockchain is



vulnerable. Billions of dollars were transferred into another account, thought to never be seen again. Much of it was recovered by the FBI, using a similar exploit. This shows us that the blockchain has holes in its armor, and they have been exploited several times, including once by the bad guys stealing bitcoins, and by the FBI, hacking the chain and arresting the bad guys. This should not make you feel secure.

### **Ethereum 2.0 - The Merge**

<sup>13</sup>What is the Merge? At the time of this printing, the Merge, or Ethereum 2.0, was about to be implemented. The major benefits that it touted were improved efficiency, scalability, and security, as well as reduced centralization. Many users who owned Ethereum 2.0 in advance of this were not surprised, and were anxiously anticipating this move, because it was going to move Ethereum to a Proof of Stake model, as opposed to its “Proof of Work” methodology, that it currently operates under. What is the difference? Ethereum uses a proof of work model to validate blocks. In this model, validators compete to gain the rights to produce the next block. After the merge, this will no longer be the case.

---

<sup>13</sup> <https://bitpay.com/blog/ethereum-2-the-merge/>

### **Proof of Work vs Proof of Stake**

After The Merge, Ethereum's blocks will be produced only through the Beacon Chain leveraging a proof of stake model. The newer Beacon chain has already been running side-by-side with the existing Ethereum blockchain, so it should be a smooth transition. Ethereum's proof of work model will be shelved permanently, and the Beacon Chain will be actively coordinating all the block validating activity, randomly selecting validators for participation. This means a more equitable solution for those maintaining the chain, as well as more stability to the processing of those blocks, removing the need to pair off segments of the chain, called "Sharding". Who comes up with these terms anyway?

### **Who is Going to Accept My Cryptocurrency?**

You've spent a long time researching what crypto is, and if it is a good investment or not. You may have already purchased some to play around with, like I first did a few years ago. You just wanted to dip your toe in, without investing thousands of dollars in something you were not even sure was going to be accepted for payment anywhere. If you followed the directions on some of the exchanges, you may even have a

browser-based wallet to store your crypto, so you would have it on-hand to make some purchases. (It's ok, you hadn't read this book yet, and weren't informed why that is a bad idea). So now you are thinking, "what can I buy with this?" More options are now available than you might think, but is that a good idea?

### **HODL on, Here We Go**

<sup>14</sup>A study in June of 2022 by Deloitte titled "Merchants getting ready for crypto." Concluded that 75% of retailers plan to accept either cryptocurrency or stablecoin payments within the next two years. What is more interesting to me is 83% of retailers expect consumer interest in digital currencies to increase over the next year, and a little over half of them have invested over \$1 million into enabling digital payments.

It has also reported that a majority of retailers expect this digital payment addition to cost them a pretty *Satoshi*, to coin a phrase. This does not mean that they will not try to make a dime by converting your crypto or charging fees for more obscure coins. I'm certain they will see it as another opportunity to take even more of your money in exchange for the impulse buying you do while waiting in the checkout line. Funny

## Palm/Demystifying Cryptocurrency

thing, by forcing consumers to do their own checkouts, the impulse buys at the register are actually down. It always fascinates me how a service which is passed off as a convenience seems to be more inconvenient and costly, not just for the consumer, but the seller as well.

It looks like there will be plenty of places to spend your crypto, but should you? Will it be a good idea to dip into your crypto wallet and plop down \$7 for a latte? In my opinion, not for a while yet. There are a lot of factors, but the biggest at the moment is this is investment money, and unless you've had a huge windfall of cash due to some massive shift in the market, investments should be left alone, because you don't know when that major spike is going to hit, and you'll be left with less money to earn interest and dividends on. Would you dip into your 401(k) to pay for lunch? Same idea, leave it alone and HODL onto your investment. Here is a glaring reason why, and a painful lesson learned for one hungry bitcoin buyer.

## **World Bitcoin Pizza Day**

This holiday, created by crypto fans, probably tops the "May the Fourth" holiday as the most unusual. If you have not heard of *The Force* holiday in honor of

## Palm/Demystifying Cryptocurrency

Star Wars, it was invented by punny fans that shout “May the Fourth Be With You” followed by “Revenge of the Sixth”, two days later. But Star Wars Day is not nearly as cringy as Bitcoin Pizza Day.

On May 22, 2010, a Florida man named Laszlo Hanyecz agreed to pay 10,000 Bitcoins for two delivered Papa John's pizzas. At the time, it was only running about \$0.004, or four thousandths of a penny, making the total of the sale \$41.00. Laszlo had the honor of being the first person documented to make a retail purchase using bitcoin, but little did he realize that this would make him and his pizzas famous.

Nine months later, that baby started to mature, and bitcoin hit a new high. When you do the math, those long since eaten pizzas were worth *ten thousand dollars!* Not exactly a good return on your investment.

The real infamy came when this lapse in judgement was spread around the message boards, and people started to comment on his folly. It actually was marked as a crypto-holiday, and to this day, it is memorialized with memes and mentions all across the web. “Bitcoin Pizza Day” was born, and this poor guy has to endure the torture of being reminded how much his dinner investment cost. In 2015, those pizzas were worth \$2.4 million, and by May of 2021, Bitcoin’s new high of \$63,000.00 made the heartburn he endured worth \$630 million. That is a mighty pricey pepperoni!

## Palm/Demystifying Cryptocurrency

HODL onto your crypto, or at the very least, move small amounts back to cash, and don't go back to calculate how much you could have made on chickens that have already hatched.

### Takeaways From the World of Cryptocurrency

**The Good** – DeFi is likely to be a backbone for crypto trading, and as such, will be closely scrutinized by investors, and other financial regulatory agencies, until they can find a way to get their grubby little hands into the till. Why is that good? Because when people are watching, you tend to be on your best behavior. If they set good policies and practices, they will be able to stave off the regulators and money changers, at least for a brief period of time.

Crypto transactions are also more private, even anonymous, and are encrypted, hence the birth of the term “crypto”.

Competition in this space will also keep things a lot fairer and more equitable, because your reputation for being a good net citizen will follow, and word of mouth spreads like wildfire. If you lock down trading, and not pay out to those who have invested when they want to cash out, like happened in early June of 2022 with the fall of Luna.

## Palm/Demystifying Cryptocurrency

**The Bad** – Big Money does not like it when you cut them out of the payment chain. Imagine trying to make money in some other mafia boss' territory, and not "giving them a taste". They will come after you and will likely make an example out of you. The similarities of this to a mob organization is intentional. Ask anyone who has ever tried to take their company public and see how many people hold out their hands for their "taste".

Because the transactions of many of the crypto coins are done outside the regulation and oversight of traditional financial institutions, these institutions fear losing out on their cut. Therefore they often overinflate the "security" or "fraud" claims that these transactions are done on black markets or the "Dark Web". Seriously? The amount of fraud and dark transactions on the regular, open markets have dwarfed this by thousands of times, every day!

### **The Ugly**

When you make any purchase, using traditional currency, even online, the seller, their agent (usually a bank), and the credit card processor, all take a cut, in the form of transaction fees. Of course, the Government has their sales taxes, luxury taxes, VAT, and other forms of dipping into your purchases. Imagine how much things would cost if we could eliminate just one or two of these moneychangers!

## Palm/Demystifying Cryptocurrency

If you think that every bank, financial management house, or government has not thought about how to get their hands in *this* cookie jar, you're naive. Trust me, they are already working on a plan to get their regulatory control over this currency, "**FOR THE GREATER GOOD**".

### Where Do We Go from Here?

Back in chapter 1, we talked about how blockchain may not be the best choice going forward. It has major limitations, and will have serious performance issues in the not-so-distant future. It happens to everything as they get older. It is important to note that 90% or more of the currently installed Crypto coin base is on a version of Blockchain, and that will not likely change anytime soon, with the notable exception of Ethereum, which is merging with a newer version, in September of 2022. As new protocols are written, they will likely surpass the limitations of blockchain.

If we are going to move transactions to the cloud, and use digital currency, we need to make sure a few things are in place. For any kind of digital transaction to take place in the real world, like when we're in line at the grocery store, a few things need to happen.

1. Transactions must happen **FAST** – like in microseconds, not minutes.



## Palm/Demystifying Cryptocurrency

2. Any transaction processing must verify your funds are available and deducted at the moment the transaction takes place.
3. The transaction must remain secure, and not vulnerable to hacking, identity theft, or other prying devices.
4. The device you use must be able to verify *YOUR* identity, simply, assuredly, and quickly.
5. The transaction should be able to take place anywhere, on any device, using any funding source you choose, not just the debit card you happen to have in your wallet.
6. The ledger must be updated, validated, and archived, and should reflect the balance, transfer amount, time, and location of the transaction.

Do you think your credit card or debit account are processed quickly? Do you think it's secure? Do you think if you went out of town, or overseas, that your account is smart enough to know where you are, and

## Palm/Demystifying Cryptocurrency

make transactions more readily available for the purchases you want to make? The answer might surprise you, but probably not. Fixing the money problem is simple. It is imperative that we all adapt and adopt a new currency that will retain its value for more than the next one hundred years.

Left up to their own devices, most systems based on fair and open trade, regulate themselves pretty well. The assurance you have is that if you offer an unfair trade, or charge too much, the law of supply and demand will work in concert with competition, to level things off again. There are a lot of people with degrees and letters behind their names that will disagree, but I've yet to see any of their solutions work any better than *good old capitalism*.

### Chapter Three Summary

- Saving money without some investment, will cause your money to be worth less, due to inflation.
- Fiat Currency will fail if it is not backed with anything of real value.
- Digital money is inevitable, will you be on the right network?

## Palm/Demystifying Cryptocurrency

- Banks or Governments that “back” currency do not have your best interests.
- Anything of value is agreed upon by all parties involved. Know what factors influence the value of your money before investing everything in it.

Chapter 3 was about learning what to expect when digital currency becomes the new “coin of the realm”. In Chapter 4, we will discuss keeping your crypto secure.

## Chapter Four: Is it Secret? Is it Safe?

Terms in this Chapter:

1. **altcoins** – *An Altcoin is basically any other cryptocurrency other than Bitcoin. Ethereum, Litecoin, and others like Binance are still classified as altcoins, meaning they are backed with some other real currency, or something of actual, fungible value. Altcoins are still alternatives to Bitcoin. This does not mean that they are less stable, have less tradable value, or have less potential. They are just not as big and did not come*

## Palm/Demystifying Cryptocurrency

*first. Sometimes, they are also referred to as “shitcoins”. Yes, you read that right, I did not make it up.*

2. <sup>15</sup>**Crypto-Wallet** – Online storage for cryptocurrencies that you own. Users can either access the wallets through crypto exchanges that are used to buy coins, download a software program to a computer desktop, or even use a smartphone app. Because each of these options leave a user’s public and private keys connected to the Internet, software wallets are known as “hot wallets.” As a result, there is a higher risk of a user’s funds being hacked than with hardware wallets, physical storage devices, that provide “cold” storage of crypto assets offline.

If you are reading this, chances are, you have either already invested in some cryptocurrency, and you’re looking to learn more about it, or you’re playing more cautiously, and doing research on how safe it is, and how to keep it secure. Either way, you need to be aware that ANYTHING stored online is vulnerable to attack. Especially something valuable, like currency.

---

<sup>15</sup><https://www.investopedia.com/cryptocurrency-wallets-5272123>

## Palm/Demystifying Cryptocurrency

Banks and financial institutions resisted giving access to accounts online for that very reason. No matter how well we firewall our data and money, every week you hear of new stories of identity theft or hackers holding your data hostage. How can you be certain your information is secure? There is only one answer; Keep it offline! (Yes, I can show you how to keep Crypto safe, yet accessible offline!)

This is not a viable option if you like the instant access to your accounts, and the convenience of making purchases online, where your payment options must be readily available. Imagine not being able to use Amazon, or pay bills online, because you're paranoid about losing your identity to someone online. Authentication, still based on ancient, antiquated "challenge and response" methods or passwords, and are still the #1-way people gain access to their most valuable assets, their money. There are innovative technologies being tested and deployed, but more on that later. For now, let us focus on how we protect our investments in cryptocurrency.

### **Can Cryptocurrencies Really Be Made Secure?**

Finally, all your assets, digital properties, tokens, crypto coins, cash and credit accounts, debit accounts, titles, and other identity-intensive transactions should

## Palm/Demystifying Cryptocurrency

be protected, and accessible always, by the owner, without worrying about huge passcodes, passwords, or other antiquated forms of I.D. verification. Multiple methods of verification, totally and verifiably protected, would ensure you were who you said you were, and I.D. theft would become a thing of the past. Sadly, people still forget passwords, lose bits of paper, or just forget where they put things every day.

How would you achieve real, verifiable security for access to your digital assets? Crypto wallets, simple programs that host all your accounts, online or offline, offer simple authentication, but is it secure? Having worked with data security for almost 25 years, I assure you if someone was smart enough to create the encryption, someone else is smart enough to break it. The solution? Create multiple avenues for authentication and switch up which ones are being used at any given moment.

### **Sad Bitcoin Stories**

I feel I must interject a personal story here. Every day I get news in my inbox from various sources, reporting about the rise and fall of this cryptocurrency or that, and I'm still amazed at the number of stories that

mention <sup>16</sup>“some have lost their life savings due to the collapse of this crypto.” Especially with the recent devaluing of the TERRA-LUNA market value. I wish I had taken more risk with my own investments when I first heard about Bitcoin, 10 years ago. <sup>17</sup>A \$500.00 investment in July of 2010 when Bitcoin was \$.11, would be worth \$1,354,500.43, in 2022, a 270,800% return. It is the same as gambling, and you should never bet money you can't afford to lose.

I know, that really hurts to hear. But I tend not to live in the past, and brood over what could have been. I wish I knew then what I know now, I just did not fully understand the value of it at that time. That's life. Move on.

### **Another Sad Story About Lost Bitcoin**

A friend of mine who I met when I lived in Germany in the late 1980's, we'll call him Dirk, is a really smart technology guy. He has worked all over the spectrum on the Internet, just like me. He and I had a chance to reconnect about five years ago. We got to talking about Bitcoin, and he admitted he was not really keeping up with it, as he considered it no more than an interesting fad. He then asked me what I knew about it.

---

<sup>16</sup>

<https://news.yahoo.com/lost-life-savings-terra-luna-160848651.html?guccounter=1>

<sup>17</sup> <https://www.in2013dollars.com/bitcoin-price>

## Palm/Demystifying Cryptocurrency

I was just getting my feet wet again in crypto and told him this was really kicking up some steam on the Internet, and he should investigate it. Dirk told me he had played around with it a few years ago, and had about \$1500 worth that he had mined, on an old laptop, somewhere back in 2012. I was shocked and asked him what he has done with all the money! He said, “what do you mean, it’s still locked in that old machine, I think my ex-girlfriend has it now”. I was floored. I said “NO! You have to get it back! Do you have any idea what it is worth?”

Well, to conclude this sad tale, he did get the laptop back, but because he did not write down the key, and lost all access to about \$3.3 million dollars! Not the same as losing your life savings, but potentially losing life-changing money, all because you didn’t know what you had left on an old machine in your ex-girlfriend's' closet!

### **What are Seed Phrases, Private Keys, and Why They Matter**

<sup>18</sup> A seed phrase is generated by your online cryptocurrency wallet when you first set it up, and is generally a bunch of random words, either 12 or 24, and



## Palm/Demystifying Cryptocurrency

unique to your wallet I.D. Remember, your wallet has access to all your cryptocurrency accounts, and all the private keys that gain you access to your accounts are stored there. That is the primary difference, keys are stored in your wallet, and your wallet is protected with a seed phrase, that you cannot divulge to anyone, or risk losing all your crypto investments. Forgetting this phrase and suffering a loss of your crypto wallet would mean losing access to all your private keys, and no access to those accounts. It's important to note that this has happened, and people will go to extreme measures to recover access to their accounts. They have even resorted to hiring hackers to crack their accounts, and by the very nature of this act, may lose everything anyway to unscrupulous characters pretending to be "White Knights" riding in to save the day. Use this method with great trepidation and caution, or better yet, back it up offline and don't give anyone access to your keys or wallets!

### **Saving your Keys**

Gandalf the Grey asked Frodo when he learned about "the one ring", "Is it secret? Is it safe?" His biggest fear is that others would learn about "my precious" and try to steal it. The fewer people that know a secret, the more likely that they can keep it a secret. Mark Twain said, "two people can keep a secret if one of them is dead." No secret on the Internet is

## Palm/Demystifying Cryptocurrency

ever truly 100% safe, but 90-95% safe is better than shouting to the world “I have Bitcoin! I made a million dollars overnight!” Do whatever you can to keep your investments safe, or risk losing everything to scams, fraud, and outright theft. Better solution: Get a crypto wallet and store your cryptocurrency offline. Exchanges may make it convenient for trading cryptocurrency but keeping them all online in one place is too tempting to hackers and thieves that would consider this a “honeypot” opportunity. Exchanges also tend to slow down the transaction time of spending your cryptocurrency and can fall subject to regulatory rules from local governments, which kind of defeats the purpose of having Deregulated Finance currency. We’ll talk about crypto exchanges and how and why you can still use them with offline wallets later in the book.

### **Not Your Keys, Not Your Bitcoin**

There is a popular phrase relating to Bitcoin investors and security concerns.

#### **“NOT YOUR KEYS, NOT YOUR BITCOIN”**

This basically means that if you did not generate your own private key, on your own, for your own cryptocurrency, then there is a copy, somewhere, somehow stored, on someone else’s system. All *good* exchanges offer crypto wallets, but unless you control your wallet, your crypto keys, or your storage and

## Palm/Demystifying Cryptocurrency

backup of your wallet, your funds could be at risk, or lost if you forget and or can't retrieve your password! I would recommend taking the time to research the pros and cons of different kinds of wallets, and lean toward managing your own, off the exchanges, for the sake of security and peace of mind. When the 2022 Crypto Winter hit, several exchanges shut down for a few days, and you could not access your cryptocurrency, or wallets. Panic is never far behind when people are unable to access their money.

### **Crypto Wallets**

This might sound confusing, like a lot of crypto systems, but bear with me. There are differences to how and where you store your cryptocurrencies, and how secure they are. There are major concerns when you start adding technology to encrypt and store something that was supposed to be secure to begin with, and it's understandable that you have reservations about moving investments to additional hardware or even steel wallets, and keeping them offline, but rest assured, this is probably the most straightforward and secure way to get some peace of mind about your digital investments' security.

There are tons of wallets, and it can be hard to make up your mind. I found this link useful:  
<https://privacypros.io/wallets/#what-is-the-best-bitcoin->

[wallet-for-me](#). Using a hardware wallet that is stored offline, but gives you access to your coins, allows you to secure your investment far better than an Exchange wallet, or online wallet, and is often called a “hot wallet”. The drawback of a hot wallet is that it likely won’t be compatible with 100% of the Altcoins out there, due to the sheer volume of new coins, but the newer wallets and more popular coins are usually covered.

Not secure enough? No need to fret, there are solutions for you that take the entire thing offline and lock it in cold storage.

### <sup>19</sup>**What is Cold Storage?**

There are several ways to keep your cryptocurrency safe, offline, and protected. Best of all, it may limit the instant access to your funds, but will make it easier for you to recover your account, should you lose access to your crypto wallet, meaning a total loss of all your cryptocurrencies. For instance, you might have a computer virus, get hacked, lose your password to your wallet, or simply have a hard drive crash, or forget your laptop in your ex-girlfriends’ closet (Sorry my German friend!)

### **What is Air Gapping?**

<sup>20</sup>An air gapped machine is a computer or device which is not in any way connected to the internet or another device, either via a cable or any wireless connection, including Bluetooth. This is considered the safest, most secure way to offline store your wallet keys, and still have your currency remain available to make trades and purchases. Air gapped storage solutions are never online, they never connect to another computer, and although sometimes digital, they are not vulnerable to hacking or viruses. A word of caution, any device that needs electricity to operate, can, and will eventually fail, thus the need for a hard copy solution. When I say hard copy, I don't mean paper. Get a cold wallet that uses a secure way to lock up your seed phrase. Paper can get wet, catch fire, or be easily destroyed. Hard copy in this case, is steel.

### **<sup>21</sup>Cold Steel Wallets**

Let's say you're using an offline digital Hot Wallet, and it breaks, you lose it, or worse, it's stolen. It

---

<sup>20</sup>

<https://privacypros.io/wallets/cold-storage#upcoming-cold-storage-options>

<sup>21</sup>

<https://privacypros.io/wallets/cold-storage#bitcoin-cold-storage-for-most-users>

## Palm/Demystifying Cryptocurrency

will be difficult for the thief to crack it, but not impossible. You need to recover your keys, and swap out your funds, fast. There are ways of keeping your keys safe, secure, and offline, even if you can't remember 24 random words! Hard steel wallets are not for day-to-day trades or purchases, but the last line of backup, if you should ever need to dump your wallet, or transfer funds to a new one. The keys are literally written in steel, locked down, and stored securely, like a safe. The idea is that should you have a fire, flood, or other disaster, your one and only recovery is etched in steel, allowing you to recover your funds.

### Chapter Four Summary

Crypto security should be taken even more seriously than traditional banking, due to its' accessibility online to hackers and other threats. Be aware of scams but do your part to lock down your accounts!

- Always secure your seed phrase and keep your private key safe, offline, and protected
- If you did not create your own key, and rely on an exchange or automated wallet, it is "not your keys, not your

bitcoin". Copies of keys and phrases stored online make you vulnerable

- Don't become one of the "sad stories" about lost crypto. Store your crypto offline, air gapped, and backed up on a steel wallet.

## Chapter Five – Crypto Fraud and Prevention

Terms in this Chapter:

1. <sup>22</sup>**NFT** – or non-fungible tokens, are unique cryptographic tokens that exist on a blockchain and cannot be replicated. Because they are serialized, every NFT is unique, like a limited-edition collectible with a certificate and a serial number. "Fungible" simply means one item that can be exchanged for another, having identical properties and value (like a dollar bill, one is equal to another). NFTs can represent real-world items like

## Palm/Demystifying Cryptocurrency

*artwork and real estate. "Tokenizing" these real-world tangible assets makes buying, selling, and trading them more efficient while reducing the probability of fraud. NFTs can also function to represent individuals' identities, property rights, and more. Collectors have sought NFTs as their value initially soared but has since moderated. I like to think of them like trading cards, worthless as a printed piece of cardboard, but invaluable to a fan who can snag a Nolan Ryan rookie card!*

## **Why Are There So Many Cryptocurrency Scams?**

The best answer to any question is usually the simplest. The reason there are thousands of cryptocurrency scams out there is because people are quite easy to fool, and "get rich quick" is the best bait. Never is it more relevant to say, "if it looks too good to be true, it probably is". There are real opportunities for people to learn about and invest in digital currency, but they tend not to lead with "you'll quadruple your money overnight!". It's difficult to spot a scam from the real deal but do a little simple research before you plop



## Palm/Demystifying Cryptocurrency

down your credit card and take out a second mortgage to invest in some “Chunky Monkey” NFT you know nothing about. Consult someone you trust, Google the company, look up their prospectus, do some simple research! Anything is better than blindly buying some Altcoin from a shady website without any clue what it does or knowing anything about its’ origin.

In the news, there have been several stories of fraud, especially in the NFT markets.

<sup>23</sup> The Department of Justice announced charges in four separate cases in June of 2022, that it says, “serve as a crucial reminder that some con artists hide behind trendy buzzwords, but at the end of the day they are simply seeking to separate people from their money.” One of those cases involves an NFT collection originally called the “Baller Ape Club,” which the DOJ alleges drug-pulled investors after collecting around \$2.6 million. They were alleging that the people behind the apes ended the project, deleted the website, and attempted to launder the funds by transferring them through a series of blockchains and through services meant to mix coins.

## Palm/Demystifying Cryptocurrency

Another was labeled a Ponzi scheme that generated almost \$100 million in a purported cryptocurrency investment platform that fabricated business relationships with Disney and Apple in a pool that used an “investment bot” designed to lure investors by using fake associations with reputable companies.

It is hard not to brag about making money in a new investment, but, the more people that know about it, the more likely that you’ll come under attack. Keeping it secret is the “Golden Rule” that most people tend to ignore. If you are out there online, on Facebook, Twitter, or YouTube crowing about how much money you made, not only do you look like an Amway salesman trying to recruit your family and friends, you’re also probably killing your credibility. While it’s human nature to want to share a good thing with friends, it’s also natural to be repulsed by gimmicks and schlocky sales pitches. The uninformed investor who goes for these scams, tends to get caught up in the moment, and does not make wise, informed decisions. I’d advise that you seek out a true expert, someone who has actual experience and knowledge, before spending your hard-earned cash by throwing in with some pool of people you know nothing about.

**NFT’s; FRAUD or FAD?**

## Palm/Demystifying Cryptocurrency

Here is a quote about NTF's by Todd Kaplan, Chief Marketing Officer of Pepsi, from a LinkedIn post.

*"For those who think NFTs are just some sort of collectible fad like Beanie Babies - you are completely missing the point. Let me explain.*

*Just because there has been a boom (and a splat) around the application of NFT's as digital collectibles, that does not have anything to do with the disruptive role this technology will play in shaping our future.*

*Think about some of the first web pages when the internet was initially invented. Dial up modems making it difficult to load. No video streaming. No social media. No E-Commerce. It was just a webpage with static images and information on it that you could access through a desktop computer. Not terribly useful at that time. And a lot of people frankly didn't get what all the fuss was about.*

*Now fast forward to NFTs - sure there are a bunch of fun collectibles out there today, and a number of them may even have utility. But in the coming years, this technology will be the secure digital building blocks behind many elements within your daily lives. Your medical records. The deed to your house. Your sporting event tickets. Your art. Your home videos. Your passport. Your digital wallet will become more important (and accessible) than the one tucked away in your back*

## Palm/Demystifying Cryptocurrency

*pocket. And an unlimited array of new virtual goods (that you didn't even know you needed) will become available as people spend more and more time in digital experiences.*

*So, try not to roll your eyes at the next headline that is only looking at the surface level of what is here before us today. The real game changer is all the tech that's under the hood. It's early in Web 3 - so plan for the long game to understand what it can mean for you and your company. Put in the time now to learn more about this exciting new blockchain technology, smart contracts, the metaverse, and all other things Web 3. That way when the tidal wave of supporting innovation comes along, you will be ready."*

## **Current Encryption and Authentication Methods**

I promised earlier to limit how much 'geek speak' we're going to use. So, to make this conversation easy to follow, regardless of your tech savviness, let's talk plainly about how you currently gain access to your secure data, and the state of security online.

It sucks.

## Palm/Demystifying Cryptocurrency

Not much more to say about it. But seriously, the reason you hear so much about digital asset theft, identity theft, and general account hacking, is because it is so easy to do. Let's face it, if it were hard, criminals would find something else to do. Criminals go for easy targets, because they are generally lazy, and would much prefer taking advantage of you, instead of working hard to amass wealth.

### **Ludacris Password Challenge/Response Methods**

Today, if you want to gain access to your traditional checking account with your real-world bank branch, you go to your computer, laptop, or cell phone, and log in via an app or website. What do you do to prove that you are who you say you are?

A password. Sometimes, if you want an even greater false sense of security, they may send a code to your cell phone you have to punch in, or you are a no-go.

### **Verifying Identity**

Since the beginning of civilization, humans have been fascinated with obscuring data, and access to information. Challenge authentication has been around since cavemen created doors. Imagine the first password, it probably went something like this:

## Palm/Demystifying Cryptocurrency

*(Caveman comes to a large stone door, blocking a passage)*

Caveman #1: "HALT! What is password?"

Caveman #2: "Dunno. Me forgot. Stick?"

Caveman #1: "No, you have 2 more guess, then  
NO MAY PASS!"

Caveman #2: "Me dunno, Give hint please?"

Caveman #1: "What you mamma name?"

Caveman #2: "Momma. Same as you mamma."

Caveman #1: "You right. Password *very hard*"

Caveman #2: "OH! Me know this! Password is  
ROCK! How can me forget? Me must write it  
down"

Caveman #1: "You right! You go. But never write  
password down."

Absurd? Sure, and it still is today. And this method is still not much better than my example of the cavemen. My mortgage company still asks me where I was born, who my mamma was, and what my first car, whenever I try to change my password! *MOST* of this info is not hard to find online, I don't care who you are! But if I want to pay \$195 a year to a Mortgage Title Protection Company, will they offer digital "protection"

## Palm/Demystifying Cryptocurrency

to make sure my house is not stolen, online, from the very people who I pay money to each month? How is that not a classic, mafia, “protection scheme?” I feel like the thugs should just come to my house and threaten to break my legs if I don’t pay up, at least that way I know I’m getting my money’s worth.

### **Passwords and Recovery**

How is a password or code secure? Phones can be cloned, emails hacked, and passwords then become less than useless. Regardless of how many warnings you are given, you make your password something simple that you can remember. Whenever you do this, you make it easier to hack your account. Now, let us assume you follow the rules, and create a super-secure, super-complicated password, with more than 8 characters, uppercase, odd-characters, and no repeating letters or common words. Example = Qotmw8^&0a. Now you’re good, right?

Wrong. You must have a way to recover your password if you lose it, or it has expired, and you must create a new one. How do you accomplish this? With a Password recovery link.

## Palm/Demystifying Cryptocurrency

You go to the login page, click “reset password”, and usually, with little more than a link, emailed to your primary email address, you get to go in and reset it. If they have a good policy at your bank, your password reset page has more challenges that you must answer to reset your password. What are the challenges? Simple questions you must answer that anyone who knows you even a little, can probably guess. That is, if you honestly answer them, which, if you’re smart, you never do. Do not use your mom’s real maiden name, or your high school mascot. Make up something like “the Jupiter Unicorns”, or something ridiculous. Just be sure to make it something you can remember, because recovering your account if you can’t verify this data, is now even harder. This is fun, right?

So now, you’re ok, your password is recovered, you login, and notice all your money was transferred to some account in the Cayman Islands. Why? Because a hacker had access to your personal data, usually information that some other account did not properly secure and was copied and sold on the “DARK WEB” (Which is just like the regular web, only with nefarious characters hanging around smoke-filled rooms, and fewer streetlights). If you think this is scary, you are right. The kind of data found on these dark websites about you, your data, or even your children, will curl (or straighten) your hair.



## **Can Authentication Be Fixed?**

Now that you understand how ludicrous passwords are for authentication, let's discuss how we can achieve real, verifiable identity solutions. Two words; Artificial Intelligence.

*WHAT?!?! DID HE SAY A.I.? OMG! HE WANTS ROBOTS TO TAKE OVER THE WORLD!!!*

Calm down. Remember, "Don't Panic"? I'll explain today's A.I. first, then get back to how it can fix the authentication problem.

## **Chapter Five Summary**

In the next chapter, we'll talk about Artificial Intelligence, and can it be safely deployed to secure sensitive data.

## **Chapter Six: Artificial Intelligence – Big Bad Wolf, or Good Dog?**

### **What is A.I., Really?**

A.I. has been given a bad rap by Hollywood and Sci-Fi authors. Remember when we spoke about the movie "The Terminator"? Arnold Schwarzenegger said, "I'll be back", and he came back, three more times, to dwindling box office success. Because each time they

## Palm/Demystifying Cryptocurrency

tried to scare us with the end of the world brought on by intelligent robots, we became more educated, more sophisticated, and sick and tired of rehashed sequels. A.I. is always made out to be the Big Bad Wolf. I feel some clarification is in order, so let's set the record straight.

A.I. is not like the stories you've been told. Simply put, the kind of A.I. we use today, cannot decide between paper or plastic at the grocery store, without being told of all the deciding factors in advance. Are we saving trees? It is a purely an economic choice? What about supply chain issues? Is the cost of oil too high to make enough plastic bags? What about the shoppers, which would they prefer? Can people bring their own bags? And let's not forget, what color are the bags?

The number of decisions we make about any buying process in a microsecond would stagger you, so how does a computer make those decisions? Frankly, they don't. They are told about all the possible factors and eliminate the less desirable ones as they go along a pre-programmed decision tree. So, is that how A.I. works? Currently, the answer is yes. There are many more factors and levels of sophistication being worked into A.I., and the fact is, there is an effort to create an "Artificial Superintelligence", to much heated debate, but that is an entirely different book. But A.I. as we know it today, can't make any decisions on its own

## Palm/Demystifying Cryptocurrency

without being pre-programmed with thousands of options. However, with brainiacs out there trying to create Super A.I., it's no wonder that we're still scared to death of it.

### **Fixing Authentication with A.I.**

Hopefully, you're a little less paranoid about A.I. now, and ready to understand that the authentication problem is not one, the Tech industry is all that excited about fixing. Why? Because they have made tons of money "patching" one of the oldest problems on the Internet. To date, billions of dollars have been made on programs, services, and workarounds putting a band-aid on something that people wish we could just do away with. There are entire companies that charge people hundreds each year to "protect" their identities, and back it up with insurance policies. Is this how we fix any problem in this day and age? Why are we not better protected online? The simple answer: *profit*.

### **First, Do No Evil**

Not all technology is created to do evil. There are thousands of examples of technology benefiting mankind. There are robots performing surgery today, saving lives through virtual reality, connected to doctors from the other side of the world. Does that mean we can trust it all? It boils down to *intent*, *reputation*, and *motive*.

## Palm/Demystifying Cryptocurrency

Any system designed to assist mankind, must be judged by its creator, his or her intentions, and for what purpose it was designed. If we judge Skynet's creator Miles Dyson, in the fictional movie "The Terminator", on why he made an intelligent system designed to take over military decisions, as it was written, it was to save human lives. People are flawed, and taking control of military decisions, with all available intel, would lessen the loss of lives and property, and hopefully, end, or prevent wars. But, again, that was Science Fiction. Robert Oppenheimer, generally credited with creating the atomic bomb technology, was not trying to kill thousands of people, but end the war. His scientific achievement will always be overshadowed by his invention that did, effectively shorten World War II, and save millions of lives. He worked the remainder of his days to help create legislations and controls over nuclear power, so that it would never again be used for destruction. His intentions were good, as was his motive, but his reputation was forever tainted.

### **Good boy, Now Fetch!**

How will A.I. address these challenge authentication issues? By knowing and asking things about you that only someone who is with you all the time, following you around, would know about you, like a little smart little puppy. It knows simple things, yet things that should not frighten you. Who can be afraid

## Palm/Demystifying Cryptocurrency

of a cute, little, puppy?

Think of it like this; your puppy knows your voice, listens to your commands, and remembers things like when you go for a walk, or to the park, or even how to play frisbee. A.I., when properly trained, can act a lot like that good dog. A.I. will not tell your secrets to anyone, fetch what you ask for, will always try to protect you, and be a loyal friend. But, unlike your new best friend, it won't pee on the rug.

The fear we have of any artificial intelligence stems from the fear of the unknown. We have no idea how it works; does it have our best interest at heart, and will it betray or try to enslave me? I assure you that today's A.I. is a lot less smart than that little puppy, and a lot more obedient. Rest assured, the reason I can say this is by pointing out all the examples of A.I. that has failed to live up to expectations.

Technology is not a likely hero in this story. Science Fiction has created stories designed to thrill and entertain the masses for generations. The very first Sci Fi movie, Metropolis, is based on a smart robot rising to power, and taking over the world. It's no wonder people are afraid of smart programs that use AI to make decisions. People fear anything that leaves them out of the decision-making process, and they probably should! Again, others usually do not have your best interest at

heart, there is always an angle, some way they will benefit by suppressing, or oppressing you.

### **Artificial Intelligence – It's Not So Bad, Honest!**

Recently, there have been a lot of news about “self-driving” cars, and how they are still not-ready-for-prime-time driving. Don't get me wrong, cruise control with a driver is fine, but are we 100% ready for self-driving cars? It seems we've asked too much of them, and the result has been just short of catastrophic. Make no mistake, the technology is getting better all the time, but there are still hundreds of thousands of split-second decisions made when people are behind the wheel. Experience teaches us that this is why young people driving cars are much more likely to have accidents.

### **The Matrix and Potty Training**

Experience is truly the best teacher, and A.I. is an attentive student. Given time, learning systems will remember the reflexes necessary to conduct their mission, and trusting them with simple tasks, like tracking your spending habits, your location, and your privacy data, is a good first step to becoming more secure online. The data you have already signed away to Facebook and Twitter is nothing in comparison, and is not crucial to you or anyone, other than your virtual A.I.

## Palm/Demystifying Cryptocurrency

assistant, who just wants to remind you to buy your spouse an anniversary gift!

I won't win over many of you that have it in your mind that *"them robots are just a waitin' to take us over and plug us into the Matrix."* My experience with machines is that they must be taught even the simplest of tasks. When my Roomba can walk the dog, and take out the trash, change the baby's diaper, and pick up the dry-cleaning, maybe I'll worry a little more about how to please my robot overlords. In the meantime, let's take a beat, and figure out how to better verify identity before we throw the virtual baby out with the digital bath water!

### **Chapter Six Summary**

A.I. is not the big bad wolf everyone in the media and Hollywood makes it out to be. There are already a ton of applications and programs we use all the time that interact with us that are based in A.I. That does not mean we should ignore the potential downsides, but something must be done to make passwords and key phrases a thing of the past. Finally, do not have a failure point of "losing access forever" to something you've worked so hard to acquire. Demand that your authentication has at least some added intelligence to verify you are who you say you are and use measures to ensure it can fetch that data for you.

## Chapter Seven: New Money, New Rules

If we were to look at building a new currency, for the good of everyone, we must insist on some ground rules. It is not enough to trust people to do the right thing, because left alone, they won't. There must be hard, steadfast rules for managing wealth, and consequences for the fiends that do not.

### *MUST DO RULES FOR DATA SECURITY:*

1. Be SMART about when and where to challenge me (create safe zones, home, office, bank)
2. Create LEVELS of authentication, with multiple challenges - 2, 3, or even 4, if something is suspect. Multiple failures trigger next level access control systems.
3. Make RULES that CANNOT be circumvented regarding recovery of data, accounts, other passcodes, or data marked as private, by anyone, ever.
4. Create firewalls between authentication and storage of account information. NEVER keep the keys in the same place as the data.



## Palm/Demystifying Cryptocurrency

5. Create SMART failover routines that will increase in difficulty, in case of lost access to accounts, connectivity, isolation, and known areas of suspect activity.
6. Create a “doomsday” switch that locks down ALL ACCESS to specified data and accounts, with no recovery, outside the defined recovery routine specified by the user. (Combinations of authentication, timeframe, location specific, or additional users, with a failsafe, also defined by the user.

### ***MUST NOT DO RULES:***

1. There MUST NOT be a “lost forever” failover.
2. Increase difficulty of “proof of identity” after each failure to authenticate.
3. In case of lost connectivity, create an option for access in emergency situations.
4. Users should never be stranded without access to some funds, contact information, or user defined minimal data (i.e., 911 access on a cell network.)

## Palm/Demystifying Cryptocurrency

5. Create a flow of authentication that ends with notifying the user's emergency contact list.
6. Never divulge identity information, location information, private stored data, or data marked with user defined parameters to any outside source, application, or device, without verified identity and notified approval.

To be sure, there is a lot of room for growth in current crypto standards and rules, and these are just a few examples of how to make digital currency more acceptable, more secure, and more accessible to the entire population of the planet. It should not just be for a few of the wealthy or the nerdy, but a system that works wherever you live, wherever or whenever you were born, or where you work and play. Yes, even in the Space Station, or first Moon colony!

### **A Word on Rights**

I started out writing this book as a tool to help people understand what Cryptocurrency is, and why it's important to understand it now, instead of being confused when your local government starts to digitize your money and tell *YOU* how you can handle it. Most of my readers will be from the United States, and it's no secret DeFi is not a U.S. phenomenon, but digital currency is quickly becoming a standard in hundreds of

## Palm/Demystifying Cryptocurrency

nations, all over the globe. If you believe you should have a say in how people handle and manage your money when you trust them to hold it in a bank, online or offline, you should insist on an agreement that makes sense to you and is fair and equitable. In case you are unaware, when you deposit fiat currency in any bank today, you're giving them permission to invest that money, not for your gain, but for theirs! (And their Board of Directors). This is the deal you made: make it easy to get access to my funds, with things like debit cards and checks, and I'll let you manage my money, so you can earn profits and interests from it. Decentralized Finance is a system that says NO to that and puts control of your money back into your hands.

Access to accounts, banks, location information, and money apps that transfer funds, medical or health related information, or *ANY USER SPECIFIC DATA*, should be able to be secured from ANYONE or ANY AGENCY, Government, or Authority, or schoolyard bully, regardless of accusation, testimony, subpoena, court order, or coercion, that wants to use your personal data against you. If you're proven guilty or convicted of some money laundering scam (MLS), then the punishment should fit the crime, and you should be made to pay for your misdeeds. Until then, there are U.S. constitutional guarantees for your privacy and to keep your personal

## Palm/Demystifying Cryptocurrency

information safe. <sup>24</sup>The Fourth Amendment protects privacy against unreasonable searches, and The Fifth Amendment protects against self-incrimination, which in turn protects the privacy of personal information. If you want to understand more about how governments abuse their power in this regard, research “civil asset forfeiture”, and how you can lose everything on an accusation alone, without a trial or conviction. And yes, even some good guys have lost everything they worked hard for to only the *suspicion* of wrongdoing, and it’s still going on today. To take something away from someone because you THINK they may be doing something wrong is the worst kind of authoritarian control, and something straight out of the “Pre-Crimes” division of the movie “*Minority Report*”. I support the idea of a <sup>25</sup>“Cryptocurrency Bill of Rights”, as proposed in 2021 by Binance, the crypto exchange and digital coin company (BNB), to make DeFi a fair and equitable space to conduct legal trading

## Chapter Seven Summary

---

24

<https://www.livescience.com/37398-right-to-privacy.html>

25

<https://decrypt.co/86166/binance-publishes-bill-rights-crypto-users>

- Rules make things fair, and easy to understand. Break the Rules, suffer the punishment.
- If you do not know your rights, you have no defense, and no excuse. Understand that most countries have laws in place to protect YOU, and your money. Read up, educate yourself, and demand that your representatives do their job.

## Chapter Eight - What the Heck is an NFT? Why is there a Metaverse?

Terms in this Chapter:

1. <sup>26</sup>**Web3** - *Web3 is basically where we are now when we speak of cryptocurrency, decentralized finance, and Non-Fungible Tokens, or NFT's. To be certain, blockchain is the underlying framework that makes most of these Web3 applications run. Remember,*

---

<sup>26</sup> <https://en.wikipedia.org/wiki/Web3>

## Palm/Demystifying Cryptocurrency

*we spoke about blockchain as a protocol, which is about 12 years old. To be fair though, I.P. (internet protocol) is the protocol that every application on the internet uses to communicate, transmit, and route traffic, and it is at least 35 years old. Web3 is the latest in a lengthy list of acronyms that geeks have thrown out there to make it easier for them to feel important, and act like they know more than you do about high tech things. Ok, in fairness, they don't use it as much as the media does, so they can make headlines sound important, and get you to pay more attention to them and their news service. In reality, it is just the next thing in the line of "reinventing" the internet, like Web 2.0, but now it's trendy to say "Web3". There is even Web4 and Web5*

## Palm/Demystifying Cryptocurrency

*planned, but let's not get  
ahead of ourselves.*

Probably the most misunderstood feature of the new Web3 Internet is the simple digital trading card, the NFT. Most people look at NFT's, and say something like "wow, people are stupid, they pay for a digital picture, and think they got something." Just because someone tells them it's a collector's item, one-of-a-kind deal, yet everyone can see it and then know it can be copied, how can it be valuable? OK, answer this; how does a real-world, actual painting worth anything, when there are forgeries (or actual legal photo reprints) that look just like the original? What about accessories in online video games? How many gamers buy upgrades to their avatars, or additional weapons, upgrades, or just simply to remove the online ads? NFT's are the digital real estate equivalent of a mortgage title. They prove ownership of a tangible asset, which may be viewed by all, but only the bearer of the title (or NFT in this case) can claim ownership and protect their property rights. Think of what that is going to mean to people in a few years that have taken up residence in the <sup>27</sup>Metaverse? (Not to be confused with Meta, the new name for Facebook, Inc.) The online, digital universe that seems

---

<sup>27</sup> <https://en.wikipedia.org/wiki/Metaverse>

## Palm/Demystifying Cryptocurrency

endless will soon resemble *the Oasis*, the fictional metaverse created by the nerd-in-chief character Wade Watts, in the book and popular movie <sup>28</sup>“Ready Player One” by Ernest Cline. His book best represents where most people believe we are headed with virtual reality goggles in hand, and encounter suits ready to “feel” what is happening in this digital fantasy universe.

Not to shock you, but it’s already happening. That metaverse has been around for years, with levels of complexity increasing since the late 1990’s, with SimCity, Second Life, and Farmville, millions have participated, and yes, even paid for “digital property” in the early “big bang” of creation of the metaverse. I remain a big fan of the life simulation series “Sim City”, and all its various options to manipulate your digital minions, a total control freaks’ dream.

Were these early examples of NFT’s that far-fetched? It made sense to spend a few dollars to own a new suit, or armor for their digital warrior, even to the extent that mom and dad were willing to foot the bill to keep little Timmy occupied for just a few more hours. I heard a story from one mom I know that had her credit card tied to her iPad and let her 6-year-old kid play an online,



## Palm/Demystifying Cryptocurrency

connected game that continually asked for “coins” for special animal characters or new additions, to the tune of \$20,000 in one month! Just think if she had invested that in Bitcoin six years ago instead!

### **My First NFT**

When I first heard of the concept of a unique, serialized digital token being sold, I was also pretty skeptical. I had collected comic books, and knew how they were graded and valued, but never sold any of them, except a few I first editions I traded back to a comic bookstore, to buy more comics! This looked to me like a similar deal, so I dipped my toe in, willing to throw \$20 at a piece of digital artwork, made by an independent musician.

I went to an NFT trading site and saw one that was currently selling for about \$6. After signing up, and paying a transaction fee, I ended up spending a total of about \$8. Looking around the site, this digital trading card was going for about \$30, listed by other traders, mostly because there were only about 40 ever made. I immediately put it up for sale, hoping to make a quick buck, and get a free lesson learned for my time and investment! That was 9 months ago, if it ever sells, I'll let you know.

## Palm/Demystifying Cryptocurrency

Since the digital artwork was a virtual “album cover”, and I don’t mind supporting independent musicians, (my brother Ben Johnston @ BenJohnstonMedia.com can be found on Spotify and gets royalties for streams played!) I was happy to learn how to manage the expectation of this experiment and report it back to you. This is not a cautionary tale, in fact, I fully support the idea of trading NFT’s that are based on scarcity, instead of popularity. This is the common tenant of all collectors, numismatists, comics, beer cans, whatever. If it is rare, it’s valuable. If it is scarce, it can be invaluable. If it’s on the Internet, chances are it’s worth what you pay for it, until you can sell it to someone who wants it more than you do, for more than what you paid for it!

### **My First Creator NFT, Now For Sale**

If you’re one of the first to read this book in digital form, congratulations! You have a unique, serialized, digitally signed autograph copy of my very first NFT! Not being one to miss an opportunity, I made the first fifty digital copies of this book an NFT that you can own, display, or trade. I’ve even included a digitally signed virtual book cover that will forever identify and bless you as someone who knows a good trade and is proud to tell the world how they are in a rare club of enlightened investors in their own education and knowledge of crypto trading assets. Kudos to you.

## Palm/Demystifying Cryptocurrency

If you are reading a hardcover or paperback copy, or you did not get one of the first fifty digital copies, I'd encourage you to go to the website

[Tiny.cc/decrypt-ebook-NFT](https://tiny.cc/decrypt-ebook-nft), and click the Book NFT link to see if you can purchase one of the highly collectable and greatly sought-after D-Crypto NFT Book Covers! Someone who got an original NFT of this book, just might be willing to part with it (for the right price) and would be foolish to not **HODL** it and watch it skyrocket in value! They just might sell it to you, and then you too can feel like a smart investor and share your tech savvy trading skills by showing the link DemystifiedCrypto.com for all to see and admire!

How is that for a buildup to a story? Here's the actual process I went through to create and post my first NFT for sale, which is this actual book that you're currently reading! (You lucky dog you, you're one out of only fifty!)

1. [Make sure you have purchased a small amount of Ethereum \(ETH\) and transfer it to a crypto wallet, to pay any fees \(generally small amounts,\) only upon a sale.](#)
2. [I used Photoshop to paste a shiny, embossed signature on my dust cover artwork, with a fancy gold frame.](#)

## Palm/Demystifying Cryptocurrency

3. I then went to MetaMask.io and created a new crypto wallet on MetaMask, to make it easier, and transferred some Ethereum to my wallet id. This is required before publishing an NFT and helps verify you have an active crypto account. I chose MetaMask because they have simple to install browser extensions, with a nice video about how to backup your twelve-word phrase, and a tutorial.
4. Then, go to opensea.io, and click CREATE in the top menu. The process is basically self-explanatory, and upload your artwork in one of the formats they support (it will be listed for you in the upload window.)
5. If you need any help, go to <http://tiny.cc/opensea-createhelp> and you should be ready after a brief review.
6. Fill out the remaining fields, like I did, to have attached content only a verified owner can see, which happens to be the link to download the advance copy of this book!
7. To be honest, there are a few kinks to be worked out, sometimes the application times out, and you must log back into your wallet to make

## Palm/Demystifying Cryptocurrency

corrections. This is a bit frustrating, but I understand the security behind it!

8. Once your new collection page is created, you will see it under your profile, and you are in the NFT business!

*Note – as the first test of the NFT for sale was conducted, there were still some glitches in accepting other cryptos, and the setup process had some hiccups. Make sure you're using a standard browser; some obscure versions don't like new plugins. The tech support at Opensea.io were right on it and addressing the issues directly. That being said, there were a few clunky things that made the process a little less glamorous, but still, it was a kick selling my book with a signed cover as an NFT! I hope you were one of the lucky top fifty to get a signed digital copy! If not, go out and bid on one of the original, rare, and signed digital First Editions!*

**NFT – What's It Good For...Absolutely Everything**

<sup>29</sup>There are real world practical applications for NFT's that go beyond digital trading cards and bad monkey art. The digital verification of assets, real world, and virtual, is a major feature of using a protocol like NFT's. Because they create a unique ID, like a serial number, they are invaluable in many industries, and new software is being released to manage and track assets in the supply chain, as well as huge warehouses, like Amazon fulfillment. The idea that NFTs can only be used for validating ownership of online content is probably the biggest misconception in all of the new Web3 landscape. Here are just a few examples of how digital tracking with NFT's are already being implemented:

1. **Product Purchase Authentication**

QR codes are being put onto product labels, allowing consumers to verify custody of the product or its ingredients from conception to delivery. This can help people verify the authenticity of the product, or that it came from where the seller claims it was.

2. **Real Estate Transactions**

The real estate industry is one of the most NFT-ready markets, thanks to its

---

<sup>29</sup> <https://www.hongkiat.com/blog/nft-use-cases/>

built-in complexity. NFT's can be used to set up smart contracts for properties, allow automatic payments, or even create multiple-party contracts that only execute once funds have been transferred. The title industry alone would benefit greatly from having verified transaction details released once the criteria were met. Also, since any detail can be tracked, you as the purchaser can verify details like the manufacturer's materials, contractors, and punch list completion, without leaving your desk.

### 3. [Medical Records](#)

This is one that hits home for me, since my wife is a nurse, and I have some background with medical technology management. NFT's can be used to validate a record, track who has had custody, staff involved in treatment, and even verify the integrity of the documents and prevent tampering. This will revolutionize the quality of records, care, tracking meds, billing codes, and compliance with regulations.

### 4. Education

This one even surprised me. A school can create a record for each student, which would track achievements, degrees, attendance, course completion, and even graduation degrees. NFT's used in this manner would be unalterable, and verifiable by companies or agencies looking to hire the right person. This would give Ferris Bueller a run for his money in trying to alter his grades!

## Chapter Eight Summary:

- The metaverse is the next version of a virtual reality world, and people are spending real money to be a part of it.
- NFT's are in their infancy and gaining momentum. Ignore this opportunity at your own detriment. Not all NFT's will experience huge gains, just like stocks. Some will fail, spectacularly, others will skyrocket. If you can find out which is which, let me know!



## Palm/Demystifying Cryptocurrency

- NFT's have a real-world application and can be used for more than just digital trading cards. For example, this book is available as an NFT, and the asset you hold digitally will be like a printed first edition physical book. Maybe even more valuable! (Wink wink)
- Industries have already started utilizing NFT's for tracking and verifying custody of goods. They're also using them for contracts, real estate, and verifying credentials.

## Chapter Nine: Our Future Currency

Terms in this Chapter:

- **Buy the Dip** – *Not exclusively a crypto term, but basically means buy new coins at any time they go down. What goes down, does go up sometimes, and historically, solid crypto prices do rebound, sometimes spectacularly.*

Now that we know how cryptos and NFT's work, and how to protect our investment, what will the

## Palm/Demystifying Cryptocurrency

currency of the future look and act like? What would be the best practices and features needed to “future proof” digital currency? Can it be spent at a beachside bar with no Wi-Fi access? How about a jungle in South America? Or even a cruise, while at sea? Will my favorite hot dog vendor with the street cart be able to accept my crypto, even if he does not have the same coin as me? Let’s delve into the nuts and bolts of accepting different forms of payment, in the city, the park, or a foreign country.

### **Future Money**

Again, we are going to have to set some difficult expectations of our *future money*. The world is becoming smaller all the time because of connectivity, and access to other humans all over the planet. We need access to our currency wherever we go. Cash is becoming less and less attractive, and frankly, less popular, due to things like disease, change shortages, and currency rates in different countries. Offline spending of digital currency must find a way to balance the convenience of buying food from a cart on the internet or power blackout, with the danger of not having access to your balance to clear the transaction.

### **Building a New Digital Monetary System**

## Palm/Demystifying Cryptocurrency

Now we, as a people, are tasked with taking control of a complex system of transactions, happening thousands of times an hour, all over the world. No one system is sophisticated enough yet to manage every transaction, be it purchases, contracts, or exchanges, across the globe, and would you feel safe if it did? The short answer is we need a starting point, and we need to rely on technology to help us get a grasp on it. Let's describe the perfect system for taking back control of our money.

First, we would need to analyze, test, and then implement, a very intelligent tool, which was aware of all the dependent systems. It will need to know when, where, and how the transactions are taking place, and then, make decisions on how to verify them, and keep everything archived and searchable. It would also have to be designed to be fair and equitable, allowing for only agreed upon transactions, with the smallest possible transaction fees, instead of the 2.5% up to 5% that is currently charged for the simple act of verification of availability of funds.

It would also have to be secure, with the best possible level of encryption, again utilizing a built-in smart code to sense when it was under attack, and actively protect the integrity of all transactions, from any possible threat. Verification of identities, accounts,

## Palm/Demystifying Cryptocurrency

assets, and their time, location, and reputation would also have to be confirmed.

The integrity of the entire system would also have to be monitored, with the network being aware of changes, additions, deletions, and users that are assigned to process the ledger. Those workers would also have to be supervised, or monitored, and swapped out frequently, to prevent any collusion. It would have to be backed up, with the entire history of transactions available, but not integrated to the network. The system would need to be extensible, able to be upgraded, yet free from influence, inflation, or deflation, and finally, accountable to someone, or some entity, who would take responsibility for all the above. It would also have to be a fixed amount, so it has the value of scarcity. It should be invulnerable to counterfeit, verifiable, portable, and manageable. At the same time, the system should not be owned by any one person, completely equitable, self-sustaining, and finally, profit should not enter into its motive.

It would need to be able to be simply divisible, meaning broken down into fractions of the monetary value, for the purpose of making change. As an asset, it would need to be inheritable, or passed down, and verified. In case of a lack of connectivity, or power, it would also need to be offline accessible. A simple tool, also smart enough to know where you are making your

## Palm/Demystifying Cryptocurrency

purchases, and moving your assets around with you, that was familiar and usable everywhere, would need to be created to allow simple, anonymous purchases when possible. When a more verifiable purchase was required, it could be used to create a contract, involving all parties, and executing the same simultaneously, safely, and releasing all funds only when all criteria were met.

Built-in controls would prevent wealthy and powerful investors from owning any controlling interest, preventing artificial inflation of the value of the system, or major institutions from profiteering. Ownership of digital assets, or Non-Fungible Tokens, could also be verified, transferred, purchased, auctioned, or managed.

### **Financial Stability of Cryptocurrencies**

Financial disaster is always a major issue in traditional banking and the financial sector. Financial uncertainty, fraud, inflation, these are all factors that disrupt the economy by dropping the value of the local fiat currency. Unfortunately, this is a common song sung in the key of Crypto as well. It's really not difficult to spot the scammers, or outright theft in the Cryptocurrency marketplace. It is more important to go with trusted sources and sites that you can verify where real, everyday people are making honest trades and investments in digital currency. Even then, disaster can

## Palm/Demystifying Cryptocurrency

strike any individual trading group or cryptocurrency exchange, even though they generally are doing right by their investors, just like in traditional investment groups.

For instance, India's ICICI bank had been majorly affected by the Lehman Brothers stock crisis in 2008, which, of course, greatly affected the U.S. economy. There were a ton of bad investments, backed by reputable banks and traders with long-standing accounts, which were encouraging the purchase of bundled subprime real estate loans that were doomed to failure. This set off panic selling and runs on banks to get their money out in the U.K., India and other countries, because of their investments in those bad deals made in the U.S. This worldwide banking crisis was set off by a group of bad actors trying to turn a quick profit, bundling worthless loans with decent-looking investments, and selling them off cheap.

With Bitcoins or other cryptocurrencies, there is no major effect on the economy if the price drops, as its value is balanced universally by everyone holding that particular coin. Cryptocurrencies are better options in times of financial uncertainty for the regions with unstable economical structures, which is becoming a major driving factor for the entire crypto market. Then came the Crypto Winter of 2022.

## **Hold On for Dear Life**

The term *HODL*, a popular phrase that came from a simple typo in a post in 2013 by a user named Gamekyuubi, when the Bitcoin price was only \$100. There was so much excitement by young investors who were making money with crypto for the first time, they began to share their enthusiasm with memes and pictures of big stacks of gold “bitcoins”, making it look like a techno-leprechaun exploded on the screen. The acronym “*Hold On for Dear Life*” spawned from the typo, even though that was not the original intent of the post. It was meant to encourage investors to not sell, so everyone could realize bigger gains as time went on. If the market for bitcoin fell, as all trading does from time to time, they were encouraged to “buy the dip”, and new memes sprouted up to support this as well.

With everyone commenting and posting about how to trade, what to trade, and even how to start mining bitcoin, it has birthed an entire internet crypto-crazed culture of crazy gold coins, cartoon characters, spacesuit wearing dogs, and whacky investment groups and schemes that resemble a “ShamWow” infomercial. It has more appeal if you’re under fifty, but don’t be fooled, there are plenty of whales with established Wall Street portfolios HODLing to crypto investment.

## Chapter 9 Summary

Digital money is coming, whether you like it or not. We can all benefit from a bit of knowledge, or we can bury our heads in the digital sand and miss an enormous opportunity to take control of how we use our money. Letting governments and large banks take control is in my opinion a mistake, but I don't see the average citizen standing up to do anything about it. Now is a unique time in history for you as an investor to have a say in how wealth is managed, created, and spent. Take advantage of it while you can.

## Chapter Ten - Cryptocurrency Exchanges

Terms in this Chapter:

1. **Stablecoin** - *Cryptocurrencies that attempt to peg their market value to some external reference. They are more useful than more volatile cryptocurrencies as a medium of exchange. Such coins may be pegged to a currency like the U.S. dollar or to the price of a commodity such as gold, to ensure real, intrinsic value. They work to maintain stability by holding reserve assets as collateral, or through*



## Palm/Demystifying Cryptocurrency

*algorithmic formulas that are supposed to control the supply of the cryptocurrency, ensuring a scarcity that helps maintain their value.*

There are plenty of resources you can go to and invest in cryptocurrencies. For reputable places to buy and trade crypto, you just need to Google the term. But for the sake of ease, let's go where they do a lot of cryptocurrency trades, and then you can Google some news stories about how they handle the tumultuous leaps and dips that cryptos inevitably experience.

### **Well Known Exchanges**

<sup>30</sup>These are some of the most popular Cryptocurrency Exchanges, where you can purchase Bitcoin, Ethereum, Litecoin, and other popular Altcoins, like Doge. This is by no means a comprehensive list, but just a starting point.

### **Coinbase**

Coinbase is admittedly where I purchased my first bitcoin. Before I had really learned what it was all about, I jumped in with a small investment, to test the waters, and see if I could make any kind of a profit. This

---

<sup>30</sup> <https://money.com/best-crypto-exchanges/>

## Palm/Demystifying Cryptocurrency

was only about five years ago, and I did okay, as far as the small amount I had purchased. On the Coinbase website, there are some good learning tools, and you can buy a lot of different coins, including some of the more obscure altcoins. It was probably the most visited crypto investment exchange running in 2021, but Binance has more trading volume.

### **Binance.US**

This site is very popular with beginners, because of its low fees, simple interface and accompanying phone app. It is listed as the world's largest cryptocurrency exchange by trading volume, and they host their own cryptocurrency, BNB, which you can use to buy other investments.

### **Crypto.com**

According to Money.com, Crypto.com is the most secure of the sites they evaluated and offers lots of features like cold storage and multi-factor identification with numerous options. They also offer the largest selection of currencies among all the companies reviewed — over 250 coins currently.

### **BlockFi**

BlockFi is one of the best crypto exchanges for earning interest, because it allows users to earn interest on their crypto and borrow money using Bitcoin as

## Palm/Demystifying Cryptocurrency

collateral. Most notably, they are catering to more conservative investors, and also score well on transaction fees and security.

### **Bisq**

I mention this exchange only because of Money.com's rating of it as a solid Decentralized Exchange. I know little about it, other than you must only trade Bisq coins (BSQ) or Bitcoin, and it is open source, meaning their code is readily available for people to make apps and supporting programs for it. Not one I would likely use, but I do like that it is open source.

### **The Crypto Winter is Coming**

During the period known as the "Crypto Winter", typically accepted as May-June of 2022, Bitcoin went from a high of \$69k per coin, to about \$18k. The selloff was because a major staked coin, TERRA, which was considered a safer bet, mainly because of its sister-coin, LUNA, went off its standard algorithm. This software was supposed to balance large sum trades, and backfill the coin with actual US Dollars, if it reached a certain low price point. Some believe that major investors in cryptocurrency, called "whales" did a massive selloff, possibly through a hedge-fund trader, which increased

## Palm/Demystifying Cryptocurrency

the volume of sales faster than the stabilizing software could kick in. Just for example, Luna, supposed to be a Stablecoin, could not match the selling, and went from \$86.00 per coin, down to \$.05 in less than 2 days. No one knows for sure if it was a result of market price trades or just plain-old intentional tanking of a market, but it affected **EVERY** crypto coin, and the crypto-trading companies, or exchanges, had to put up the cash to cover the trades when they were called.

<sup>31</sup>Crypto exchanges function similarly to online brokerage platforms, providing you with the tools you need to buy and sell digital currencies and tokens like Bitcoin, Ethereum, and other Altcoins.

Exchanges basically had to cover the outstanding trades with cash when the Nervous Nellies started to sell back their crypto. This caused even more panic selling when they were hit hard and caught with their digital pants down.

Some of the exchanges, most notably Binance, one of the largest Exchanges, halted trading of Terra, and people were unable to sell before the coin reached \$.01. This was not necessarily seen as improper, as several other exchanges followed suit. Some were more affected, like Celsius, which at the time of this writing,

## Palm/Demystifying Cryptocurrency

filed for Chapter 11 bankruptcy protection, and was still about \$140 million short.

### **Cryptocurrency Exchange Failures**

When the Terra-Luna crisis hit, causing the big sell off, Celsius froze withdrawals from its platform and ultimately filed for bankruptcy. Other crypto brokers, Three Arrows Capital and Voyager Digital, suspended activity while the dust settled. These were not the only crypto exchanges to experience a run-on cash. To quote another movie, *“Men in Black”*, Agent K said “A person is smart. People are dumb, panicky, dangerous animals, and you know it.” When a person hears a story in the media, or on a public social media forum, they tend to over-react. Much more so than if they learned about it themselves, firsthand. If the news and Twitterverse had handled the story better, there is a fairly good chance that the entire meltdown would have just been a small blip. Because of the way it went down, it was a chain reaction of over-reacting, and caused a panicky sell-off across the entire crypto marketplace. This panic caused half of the value of just about all cryptocurrencies to tank overnight, with many of the larger ones going to about 1/3 of their previous highs, just a few months earlier.

### **Why Can't We Invest Smarter, Using Technical Analysis (T.A.)?**

## Palm/Demystifying Cryptocurrency

Here we go, this is where the real coinheads are going to hit back hard. I know a little about cryptocurrency technical analysis, because like a lot of crypto videos and advice sites, the Internet is LITTERED with “buy my program” or “get in my investing club for crypto” and *“learn how I made a billion dollars overnight!”*

If you don’t believe me, search the term in quotes like this... “cryptocurrency technical analysis”. Predictive search shows: software, books, charts, apps, videos, academies, and more T.A. data than you can shake a cyber stick at. Stock investors are always doing some form of T.A. as an investment tool, and they still make bad choices, albeit with better sounding buzzwords! T.A. for crypto is at best a crap shoot, in my opinion. I’ve never seen anyone beat the 50/50 mark in crypto using T.A., and I know what’s coming next, so hold on tight!

Now before I get a ton of emails about “how my coach taught me to...” and “you noob, you obviously never heard of...”, spare me. I have my opinion, and I believe most are just like any 1-800 psychic hotline, sometimes they stumble onto the truth, and get one right. It is a game of percentages, and unless someone has a portfolio larger than Warren Buffett’s ego, I tend to believe the monkey throwing darts at the stock pages still does better at the end of the trading day.

## Palm/Demystifying Cryptocurrency

OK cryptoheads, I'll throw you a bone. I do like the stories at Trading View, <https://www.tradingview.com/markets/cryptocurrencies/ideas/> for their neat interface, and some of their charts. I think most serious investors should do some analysis, and research as much as they can, but it was also Buffett who said ""Never invest in a business you cannot understand."

Even at this point, how comfortable are you to invest \$10k in Altcoin, just because someone who sounds like Vince the ShamWow guy said it was the "chance of a lifetime!" I'm half serious here, if it comes off like an infomercial, chances are it's not a serious opportunity. There are a metric ton of people who lost ten metric tons of cash in the Crypto Winter of 2022, and that was only a few months ago! Today, bitcoin is back over \$23k per coin, and seems to be heading up from "the dip" of just a few months ago.

### Chapter Ten Summary

- Cryptocurrency exchanges are quick and easy to use, but remember they are less secure than managing your coins in your own, air-gapped wallet. BACK THAT S#!T UP!

## Palm/Demystifying Cryptocurrency

- There are a lot of good choices, some have been around for a long time, but they are not immune to panic selling and major market downturns. The good news is, crypto investing is matching the actual stock market in its volatility, which could mean that it is becoming more stable, and more widely accepted.
- HODL ON FOR DEAR LIFE (HODL) – Like any investment, you're likely to do better, the longer you hold onto it. If it tanks, buy the dip, and watch what happens. Altcoins may be more subject to fad investing, but they can still be profitable.



## NOTES FROM THE AUTHOR:

From Investopedia:

### KEY TAKEAWAYS

- A cryptocurrency is a form of digital asset based on a network that is distributed across a large number of computers. This decentralized structure allows them to exist outside the control of governments and central authorities.
- Experts believe that blockchain and related technology will disrupt many industries, including finance and law.
- The advantages of cryptocurrencies include cheaper and faster money transfers and decentralized systems that do not collapse at a single point of failure.
- The disadvantages of cryptocurrencies include their price volatility, high energy consumption for mining activities, and use in criminal activities.

## Palm/Demystifying Cryptocurrency

<sup>32</sup>*Cryptocurrencies are legal in the European Union. Derivatives and other products that use cryptocurrencies will need to qualify as "financial instruments." In June 2021, the European Commission released the Markets in Crypto-Assets (MiCA) regulation that sets safeguards for regulation and establishes rules for companies or vendors providing financial services using cryptocurrencies.<sup>8</sup> Within the United States, the biggest and most sophisticated financial market in the world, crypto derivatives such as Bitcoin futures are available on the Chicago Mercantile Exchange. The Securities and Exchange Commission (SEC) has said that Bitcoin and Ethereum are not securities.*

*Although cryptocurrencies are considered a form of money, the Internal Revenue Service (IRS) treats them as a financial asset or property. And, as with most other investments, if you reap capital gains in selling or trading cryptocurrencies, the government wants a piece of the profits. On May 20, 2021, the U.S. Department of the Treasury announced a proposal that would require taxpayers to report any cryptocurrency transaction of and above \$10,000 to the IRS.<sup>9</sup> How exactly the IRS would tax proceeds—as capital gains or ordinary income—depends on how long the taxpayer held the cryptocurrency.<sup>10</sup>*

## Conclusion

Crypto investing is not something you should enter lightly, but you should not take it too seriously. Have some fun with it! Web3 technology and digital currency has been created and largely embraced by a younger class of techie / stock investor, something my son Lucas knows quite a bit about. I've recently watched him sail through his Series 7 certification exams, and other related classes for his job, and I could not be prouder of him. He taught me a lot about investing in Bitcoin and other Altcoins, and I still consider him one in my brain trust of advisors on the subject. Since he is part of the class of millennials that really grasp the concept of "digital money", he's taught this old dog quite a few tricks, and I hope I've been able to pass some of that knowledge on to you.

I mentioned at the beginning that the purpose of this book was to educate, entertain and inform, I hope you feel I have hit the mark, at least in some small way. The takeaway from this should be "*the times, they are a changin*", and you need to keep learning and open up your mind to the amazing new opportunities that crypto

## Palm/Demystifying Cryptocurrency

investing can bring. There are going to be a ton of new launches of interesting tech-backed money replacements in the near future, some will fail, some will soar, but I hope you hitch your kite to one that takes you “TO THE MOON!”

Much Success.

## Acknowledgments

I’ve learned a lot in the process of writing this book. First and foremost, those that believe in you are the most important people in your life. Encouragement and support can’t be bought, or faked. There are only a few that I shared this with before I released the first copy, mainly, because I wanted an objective opinion, without people blindly saying “oh, how nice, good for you! It’s great, no really, I liked it!” Being close to someone who asks your honest opinion is never going to give you real, honest feedback that you can use to improve your work, so if this book comes as a surprise to you, know that I was sparing you having to lie to me.

With that in mind, in no particular order:

Thanks to my editor, Charyl Workman. Her keen eye, and tireless work kept me revising this until it made sense, and it does not hurt that her husband Troy, is one of my best friends in the world.

## Palm/Demystifying Cryptocurrency

Thanks to my “sounding board” of friends and associates that provided feedback, and honest encouragement, without being paid. Most notably, Lisa Storey, who admitted she was not very informed about crypto, and took the time to share her thoughts. She saw some of my early efforts to explain this mysterious topic and encouraged me to continue. It also does not hurt that she is married to another one of my best friends in the world, Matt Storey, who spends endless hours debating me on the value of NFTs and superheroes.

I’d also like to thank my father, Chuck Palm Sr., who has been a solid money guy his whole life and set in motion my education on what the real value of money is. Growing up the son of a credit manager has its own lessons. “Do you know what I’m paying for electricity, close the door!” and “Money doesn’t grow on trees” or “do you think I’m made of money” were life-lessons that echoed in my head every time I tried to balance my pinball habit with my weekly allowance. In all seriousness, I’m very thankful that you took the time to understand how money works, and I’m sorry you spent so much more time and effort trying to impart that knowledge to me. I know it was an effort to try to spare me the hard financial life lessons that I think finally learned, albeit the hard way.

## Palm/Demystifying Cryptocurrency

My mothers, my kids, my brothers, my nieces and nephews, my dear friends, and other people who support and encourage my efforts, I love you, I appreciate you, and I thank you for being there while I was pulling my hair out trying to find a way to put all this into simple terms for everyone to understand. I hope I was at least somewhat entertaining during the process, if nothing else.

Finally, my loving wife, Kerstin. You never cease to amaze and impress me with how much you support and encourage me. You deserve honorary sainthood, and hopefully, will one day be recognized for all you do to keep our family happy, healthy, and out of the hospital you've worked in for nearly 30 years now. There is a special place reserved for you in the afterlife, I only hope they'll let me visit from time to time.

## About the Author

Charles “Chuck” Palm is an entrepreneur, Network Engineer, Broadcaster, and Technology advocate. He was the founder of IPN, the Internet Podcasting Network, in the early 2000’s. He has worked for the likes of IBM, Price Waterhouse Coopers, Raymond James, RDV Sports (parent company of the Orlando Magic) and the Miami Dolphins. Chuck has been an early adopter and trailblazer on many communications platforms and social media, with a history of speaking on a variety of topics, including personal information security, data security, identity protection, and encryption. He is also been known to speak at NASA, Cirrus Tech, the Gartner Group, the ASCII Group several universities, trade group meetings, American Marketing Association meetings, Network Associates SMB conferences, and at COMDEX Las Vegas, the predecessor of E3 (<https://en.wikipedia.org/wiki/COMDEX>).

As the founder of the Association of Veteran Artists, a 501C3, he advocates for and teaches art to vets suffering from PTSD and Traumatic Brain Injuries. You can donate or volunteer to this cause at VetsForArts.org.

As a fan of movies and special effects, he has worked on several movie and TV sets as a SFX Makeup Artist, Set Designer, Props Master, and voice over artist, as well as producing 3 movies in central Florida. He

Palm/Demystifying Cryptocurrency

continues to make ceramics and pottery at his studio in Tampa, FL.

## **Additional Links you might find useful:**

<https://tradesanta.com/blog/how-to-invest-crypto-to-guide>

older, but still relevant -

<https://tradesanta.com/blog/how-to-choose-an-exchange-when-trading-crypto>

[Investopedia](https://www.investopedia.com/) is a great resource for understanding all kinds of investments, but they excel at defining all the jargon and terms associated with cryptocurrency - <https://www.investopedia.com/>

Good Forbes article for beginners looking to buy their first cryptocurrencies -

<https://www.forbes.com/advisor/investing/cryptocurrency/how-to-buy-cryptocurrency/>