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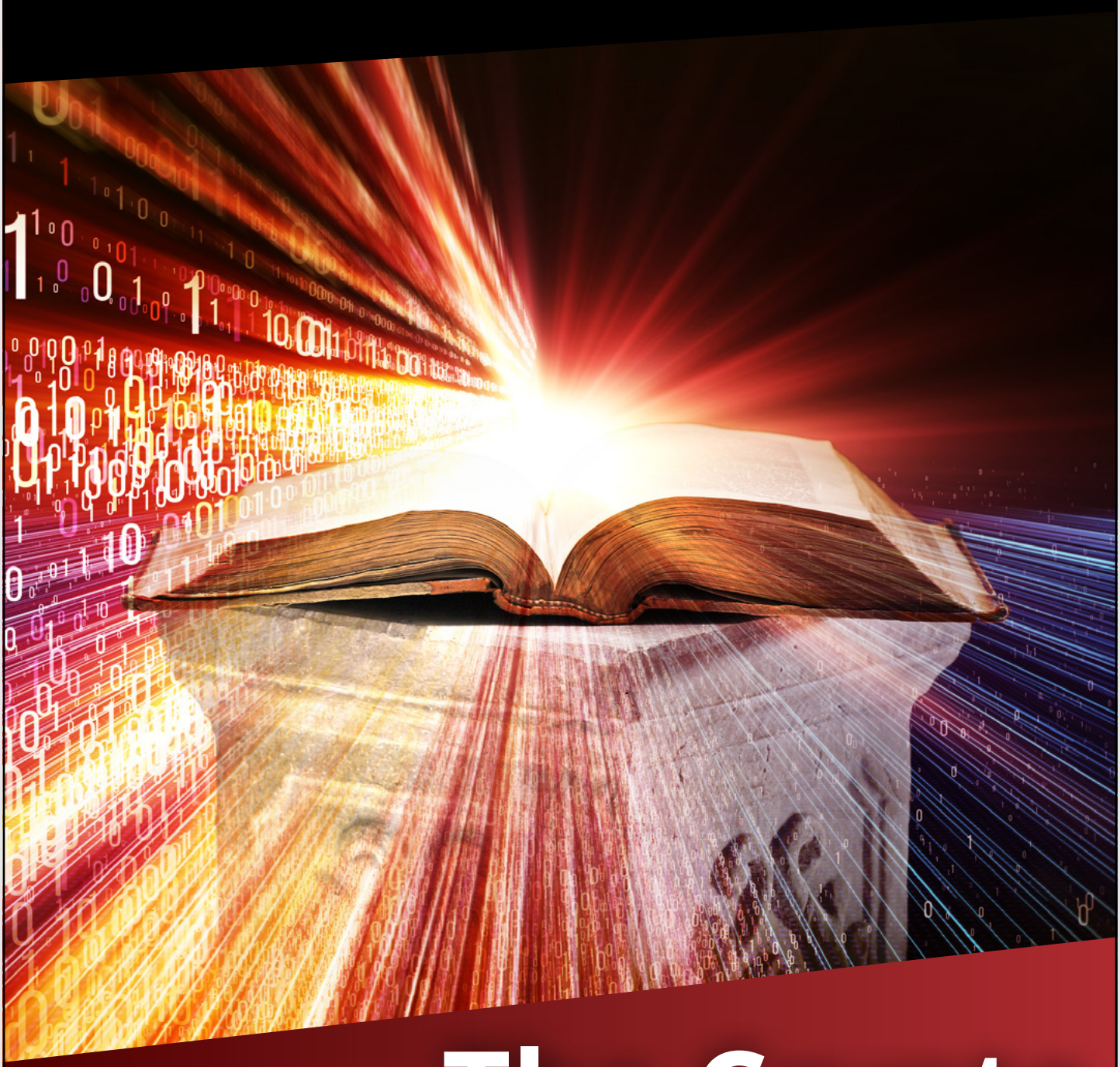

The Crypto Investor's Bible

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The Crypto Investor's Bible

By Sam Volkering,

Crypto Investment Director, Southbank Investment Research

Hi, my name is Sam Volkering, and I'm the crypto investment director here at Southbank Investment Research.

My experience in crypto goes all the way back to 2010 and 2011 – when I first got involved in bitcoin – and in 2012 and 2013 when altcoins really started to become a "thing".

I bought bitcoin as low as $12, Ethereum when it was $10 and Ripple (now XRP) where I made a 20,000% gain in just a couple of short years.

I also had bitcoin in the failed Mt. Gox exchange (and now have the non-fungible token (NFT) to prove it), the failed Cryptsy and Mintpal exchanges, and I've come across and seen pretty much every scam you can imagine in this world.

I've been around a while, seen a lot, learnt a lot and even wrote a book in 2016, *Crypto Revolution: Bitcoin, Cryptocurrency and the Future of Money.*

I know about the crypto world, where it's come from and where it could be heading. This is a decade of experience that I've tried to condense for you into some of the key things you need to know to get started in crypto.

In the following pages, I'm going to cover:

- How to buy, trade and store crypto
- Different kinds of crypto and the "lingo"
- How to cash out and possible tax considerations
- Keeping tabs on everything at once.

Historically (as in back in 2010 and 2011) it was really hard to get bitcoin, let alone any other crypto. Literally the earliest days were meeting other people to exchange money for bitcoin a real peer-to-peer medium of exchange.

That of course has changed dramatically over the last decade, and now is just as easy (I argue even easier) as opening a bank account or stocks and share account. Still, as it's all very new, it's still daunting for most people with their first foray into crypto.

And I can see why. It's new, exciting, but also risky and something that you might not be used to. It requires a level of personal responsibility and commitment to make sure you understand the steps needed to get crypto, keep it safe and to then use it.

Hopefully this Crypto Bible gives you the requisite base level understanding of how you can go about getting some crypto and becoming a part of this fascinating, exciting opportunity.

The number one rule

Can you guess what it is?

Never invest more money than you can afford to lose.

You hear that phrase all the time, right?

It's important as crypto markets are inherently risky – and that's because this is such an early-stage opportunity. So you might find a crypto that's very exciting, but ultimately its value in fiat currency like sterling may plummet: and, if you were hoping to realise a gain, well you might be in for quite a shock.

Yes, there's a lot of risk, and potential downside. That's why this idea of only investing your risk capital is so important.

You must be prepared that you could lose the value of what you put in. And know that at least your losses will be capped at however much you're prepared to risk.

I say this because, while your potential losses could be 100% of your capital, the potential upside for some crypto can make that risk worthwhile if you get it right…

Simply put, by risking less money you have the potential to make a lot more.

Hmm, risk less money to make more money, you ask.

I'll explain…

Make more by investing less

Crypto markets are not like traditional markets. Any given crypto can and does sometimes rise hundreds of per cent in a single day. Crypto can and have risen thousands of per cent in weeks. And I'm not just talking about the smaller ones. Even the big crypto in the top 20 have done this and could do this again in a new megacycle.

The other side of this is even "top ten" crypto can drop by 50% or more in a single day. In a matter of hours, in fact. The whole market can. And it can and does stay low for months and months before recovering.

This is the nature of crypto.

However, what we're essentially talking about here is asymmetric risk.

If you only invest money you can afford to lose – literally money you could throw away and not be too sad about – you can ride these swings lower, and still have exposure to the almost limitless potential upside.

To do this I always say you must have a long-term horizon with your crypto journey. The volatility is so wild, short-term trading is simply too hard. But "strong hands" that don't get spooked by market dips over time have typically done very well in this market.

The key is to not expect values to go up in a straight line. If you invest too much that you can't afford to risk, you will get spooked. You will pull your money out in the dips and crashes and you will lose money.

A common meme in crypto circles is "buy high, sell low". That's because so many people fall for the fear, uncertainty and doubt (FUD) that comes with the crashes.

Time and time again these “weak hands” lose money. And they are the very people who cannot afford to be losing money. The strong hands stay in, ride out the crash and watch their crypto values go back up.

They can only do this because they didn’t invest too much into it. It’s kind of ironic that the people losing money are the people who can’t afford to and the people making money are the people who can do without. But that’s just the way it works.

You need to be able to stomach watching your portfolio drop in value by 50% overnight. If you can be comfortable with that kind of volatility, then you’ll be ready to start getting some crypto.

But first things first, you need to know how to store your crypto even before you go and get some…

How to store your crypto

Storing crypto isn’t like storing traditional cash. There are no centuries-old institutions, and no traditional banks you can rely on to keep them safe for you. And no recourse if you lose them.

That’s why it’s important to get your head around the different ways you can store them and decide which one is right for you.

I’ll list the different types of wallets from least secure to most secure and show you the advantages of each.

There are roughly five kinds of storage options…

Exchanges

A wallet on an exchange – such as Coinbase, Gemini, Bitpanda or Binance – provides you with the lowest level of security. That’s because the ultimate control of the crypto wallets on these exchanges exists with the exchange, not you.

There’s a term in crypto, “not your keys not your crypto”. Get used to it. That means if you don’t control the security to your crypto wallet, then you’re at the mercy of a third party.

You might think that these exchanges are too big to fail. We’ve all heard that before. As I’ve learnt from personal experiences in the earlier days of crypto with Mt. Gox, Mintpal and Cryptsy, no exchange is too big to fail.

If they fail, you don’t want to have any crypto in there because you can pretty well kiss it goodbye. As an example, when Mt. Gox shut down in early 2014, *eight years* down the track we’re still waiting for recourse of the return of any funds. We may never get back what we had in there.

However, exchanges are necessary as an “on ramp” from fiat money into crypto but they’re typically not the safest place to store crypto.

The ones I’ve mentioned above are very good. And they’re as good as you will find in terms of exchange security – but no third party is really as good at making sure you secure your crypto as yourself.

You will still need to have your crypto on an exchange at some point because this is where you buy and trade them, so you still better get used to using them.

Advantages:

- Ease of use – setting up your account on an exchange is usually as simple as setting up an online bank account or an online trading account.
- Access from anywhere – just like an email account, you can access it anywhere with internet access and most have very easy-to-use mobile apps.
- Instant trading – when you need to move fast, your crypto are already on the exchange ready to trade.
- Some recourse if things go wrong, sometimes – but usually not.
- You can typically buy crypto directly using your fiat money (pounds, dollars, euros, etc) from your bank account.

Disadvantages:

- Can and do get hacked – just like any other online account, they are open to be attacked. But when crypto exchanges get hacked, the risk is the attackers can take all your crypto down with them.
- They hold your private keys – ultimately, they have control over your crypto, not you.
- No "dividends" – many crypto, reward you in just by simply holding them and "staking" them. But usually you only get these rewards if you hold them in your own wallet. Some exchanges now offer staking services, but also don't always deliver the full reward to users.
- Phishing scams – exchanges are constantly targeted by phishing scams. It's not just people who fall for these scams. Many experienced users get caught out too.

Should you use one?

Well, you kind of have to. You have to use exchanges like Coinbase or Gemini or Binance to buy crypto with your fiat money. So when you buy bitcoin, it will then automatically sit in your account wallet.

Or if you can't buy directly with fiat money, you need BTC or ETH and often then exchange them on an exchange for another crypto – hence the necessity for exchanges.

As noted, they are the "on-ramp" from fiat money to the crypto world (for now). You can leave them there, but I don't think that's the smartest idea. Certainly not long term.

You will also need to use them if you decide to sell out of your crypto back to fiat money. So they're a necessity, but not something I think you should be using to store crypto long term.

Which is why you should get familiar with wallets where you control the security access, the private keys.

Web wallets

A web wallet is hosted online and is easier to set up than an exchange account. Most web wallets just need an email address.

Advantages:

- Ease of use – again, setting up your web wallet is usually as simple as setting up an email address.
- Access from anywhere with internet connection.
- More control than an exchange – you can usually download your private keys and store them yourself for additional security.
- Usually free.

Disadvantages:

- Can and do get hacked if you're not smart with protecting the access to your private keys, seed phrases or passwords.
- If the service goes down and you haven't downloaded your private keys, your crypto are gone.
- Some web wallets don't give you access to your private keys – so they are no safer than an exchange and you ultimately have no control over your crypto.

Should you use one?

If you don't have much money in crypto, and want fast, easy access, a web wallet can be a good option. But make sure that when you set one up, you have a private key, seed phrase or way of recovering your wallet to another wallet provider in the event they disappear.

Then if something goes wrong, you can recover your crypto within another wallet.

Desktop or mobile wallet

This is a program or app that you download that runs on your computer or mobile phone. These may come directly from the crypto you're investing in, or may be multi-chain wallets like MetaMask, Trust Wallet, MathWallet or Cosmostation.

Advantages:

- More control than a web wallet – you have your own copy of the wallet stored on your own computer or phone.
- Ability to keep the seed phrase/private key secure offline.
- Easy to use for multiple crypto.
- Still relatively accessible.
- Can import the wallet to other devices or other wallets with the correct seed phrase/private keys.
- Usually free.

Disadvantages:

- Can get hacked by malicious software on your computer or phone.
- You need your computer or phone on you to access it.
- Can get confusing if you need multiple wallets for multiple chains and crypto

projects.

- If you lose/break/change your computer/phone and haven't backed up your security private keys, seed phrases or passwords, you lose all your crypto along with your device.

Should you use one?

The main thing to watch out for with these wallets is malicious software on your devices, or spoof apps that pretend to be a wallet but really are phishing/scam apps. Many people end up losing their crypto to hackers in this way. These programs are usually hidden in software you might download to trade automatically for you, known as trading bots.

Still, these wallets are relatively safer than a web wallet because you're not relying on a third party to secure your crypto.

Again, though, you should write down your private keys and seed phrases when using these wallets.

That way if your computer or phone breaks or gets stolen you can restore your wallet.

Also, many companies like Samsung now provide multi-chain wallets as apps. They're secured locally on your phone and are a great way to get into storing crypto. But others to look at are popular apps like those mentioned above and now even Coinbase offers a wallet app that's separate from its exchange and allows you greater control and security.

"Cold" wallet

People talk about "cold" and "hot" wallets. Hot wallets are connected to the internet and cold wallets are not. All of the above (web wallets, exchange wallets, desktop and mobile wallets) are hot wallets.

A cold wallet is stored on a device that isn't connected to the internet. So for instance, if you download your wallet file from myetherwallet.com and store it on a USB stick, this would then be a cold wallet.

The USB stick isn't an internet-enabled device. However, a wallet file doesn't have to necessarily be stored on a USB stick. You could put the wallet file on a memory card or an "air-gapped" computer (a computer that has never and will never be connected to the internet).

Advantages:

- Very secure – it can only be hacked if someone gains access to the physical device.
- Easy to hide and safely store – you can store them in a safe, just like money or gold.
- Can hide it in plain sight – it looks just like any other USB stick. Or if you want to be extra sneaky, you could even use a memory card and keep the memory card in a camera – so long as you don't format it by mistake.
- Easy to copy – just copy the wallet file on to another USB and store it at another location. But don't make too many copies and lose track.
- Easy to encrypt – you can encrypt the USB stick with VeraCrypt or similar for an extra layer of protection.
- Cheap – you can get a good quality USB stick for less than £10.

- You have complete control – only you have access to your private keys.

Disadvantages:

- Easy to lose – this can be overcome with multiple copies, but then you need to keep tabs on them all.
- Slower to use than a hot wallet – you need to plug in your USB and load your wallet every time you use it.
- Still susceptible to hacking – you still need to plug your USB into a computer to use the wallet. If that computer has malicious software it can then steal the contents of your wallet.
- You need it on you to access it – if you need to move your crypto in a hurry and don't have your USB on you, you're in trouble.
- Quite complicated to set up and use.

Should you use one?

If you don't trade too much and want to store crypto long term without much expense, this is a good, secure option of storing private keys without the expense of hardware devices. It has much less chance of being hacked than any of the above wallets.

It is still hackable though. And easy to copy, and easy to lose and easy to destroy. But because you're only connecting it to your computer to trade, there's less chance it will get hacked. You can also virus scan your computer before you connect your wallet to make doubly sure.

If you want to go to extra trouble, you can also make a cold wallet almost unhackable by creating it offline and only using offline transactions. But this is time-consuming and tedious to do and requires more experience.

Hardware wallet – the best option, and really what you should focus on for long-term storage

These are a more sophisticated type of cold wallet. They are essentially tiny computers cased inside USB sticks.

The two leading companies that allow for the storage of thousands of different crypto are Trezor and Ledger, and they are both very well regarded. A third and fourth are Coldcard and Opendime from Coinkite, but they're *only* for bitcoin.

Hardware wallets give you all the advantages of a cold wallet or paper wallet, with the speed of a desktop or mobile wallet. They are also much more secure than any of the other types of wallet and very easy to use.

Prices vary, but you can expect to pay around £100.

Your private keys are stored and encrypted on the device. So no one can see them. Even the computer you connect your wallet to when you use it to trade can't see them.

So in theory, hardware wallets cannot be hacked. And if you lose it, or even if someone steals it, it's not the end of the world. The key though is to ensure you've safely protected the seed phrase (which I'll get to shortly).

If someone finds your Trezor or Ledger wallet, they still need a lengthy pin code to use

it. And with every wrong attempt, the time they need to wait before they can try again doubles. After a few wrong attempts, they are locked out (in some cases for *years*). This means they can't be cracked by a password cracker.

But what if you lose it?

When you set up your device, you also create/are given during setup a "passphrase" of 24 words. You write these down on paper and store them like you would a paper wallet. But an even more secure way to store your seed phrase is on a near-indestructible accessory like a Billfodl wallet. Fire, explosions, freeing temperatures, water, electrocution, these accessories can take it all and keep your seed phrase safe. That way ultimately all your crypto will be safe even if you lose your hardware device, it's stolen or destroyed somehow.

This seed phrase can be used to restore your wallet. Honestly, if you have the money – and if you have the spare cash to invest in crypto – you really should just get one of these hardware wallets.

They are faster, easier to use and safer than all the other methods, and they can store a large variety of different crypto. So you don't end up trying to keep track of multiple different wallets for your multiple different holdings.

Both Trezor and Ledger are great – they both have multiple models to choose from, at different price points. And if you only want to store bitcoin, Coldcard and Opendime are excellent too.

I'd say just pick whichever supports more of the crypto you hold.

Here are the official sites:

trezor.io

ledger.com

coldcard.com & opendime.com

And here is a list of what each wallet supports:

Ledger

Trezor

Just pick whichever one supports more of the crypto you have – or get both.

Worth noting as well, is that you can use these devices to store crypto, but often you will need to use an interface to manage your crypto such as sending or receiving them.

Ledger for instance uses predominately the "Ledger Live" application that helps to manage your crypto on the device. And the devices and interface do need periodic updating, but it's very intuitive and straightforward if you follow all the steps needed.

But other wallets such as web wallets and desktop wallets in the crypto space will also enable interaction with your hardware wallet. In the list of supported crypto there is often support information about how to use and interact certain crypto with different interfaces.

Buying, trading and withdrawing your crypto

At this point, once you're familiar with wallets and setting ones up, then you actually want to get some crypto. Once you know how and where you'll store them, time to get them.

You might be wondering why my first point was to get familiar with wallets – that's because when you buy crypto, I don't recommend you keep it on an exchange.

I recommend you transfer it to your wallet so that you are responsible for that crypto and it's not sitting there on an exchange at the mercy of a third party.

So once you've got your head around setting up a wallet, you've got the right wallet for the crypto you want or you've got yourself a hardware wallet like a Ledger or Trezor, then you want some crypto.

There are many different exchanges that you can buy crypto from.

Here's a list from finder.com that lists a number of exchanges to get crypto using GBP.

How to transfer your crypto

It's advisable to always test your transfers with small amounts, before you move the whole lot.

It's very easy to make mistakes and it's better to make a mistake with a very small amount than with a very big one. I wrote last year about how to transfer your crypto safely, after losing a significant amount of money doing it wrong.

Here is what you need to know.

The five fundamental rules of moving crypto

When trading, transferring and storing crypto, there are five very basic rules everyone should follow. The problem is, many people don't.

Here are the rules:

1. Don't type the name of your exchange into Google. Type it directly into your browser's address bar.

Reason: there are a lot of phishing sites out there that buy ad space. They set up an ad that looks like one of the popular exchanges but links to a scam site. This site looks identical to the real one, but it is set up to record your login details and steal your crypto. This isn't some obscure occurrence either. It happens all the time. Make sure the site is secure.

2. Don't leave your crypto on an exchange.

Reason: when your coins are on an exchange, they aren't really yours at all. They are in the exchange's wallet. If the exchange gets hacked or goes bankrupt, it can take your coins with it. Again, this has happened many times in the past, with the one of the most notable hacks being Mt. Gox in 2014.

3. Back up your wallets and test the backup before transferring anything in.

Reason: a cryptocurrency wallet isn't like an email address or a bank account. No one else controls it except you. This is both good and bad. Good because it gives you privacy and control. Bad because if you lose your backup, no one can help you get it back: it's all down

to you. When you make a new wallet, download the backup and then try restoring your wallet from the backup to check it works.

4. Transfer a very small amount with your first time to check you have all your addresses right. Only then transfer the full amount in.

Reason: it's very easy to get addresses wrong because they are just random strings of characters. And if you send your crypto to the wrong address, they are usually gone for good. It's best to find out you got your address wrong sending £2 of crypto than to find out as you send £2,000 worth.

5. Keep your backups under lock and key and offsite is a very good idea.

Reason: you could get burgled. There could be a fire. You could get flooded. You could even just throw your backup out by mistake. Anything can and does happen to wallet backups, so you need to have more than one. A great idea is to store your backup seed phrases on something like a Billfodl and then keep them in a safety deposit box away from your home.

Like I said, they are all fairly simple rules, and they are all easy to follow.

But many people slip up or just get lazy. Don't be one of them.

Different kinds of crypto and some of the "lingo"

There are also different kinds of crypto that run on different blockchains or – in some instances like IOTA – don't use a blockchain at all!

Bitcoin, for instance, is a crypto that exists on the bitcoin blockchain. It's secured via a mechanism called "proof-of-work" (PoW).

Whereas a crypto like Ethreum also exists on a blockchain, but its own unique one, different to that of bitcoin. Ethereum's blockchain originally was a PoW blockchain but is moving to a "proof-of-stake" (PoS) blockchain.

It's not the first. Others like Tezos, for example, use a mechanism to keep them going called "delegated proof-of-stake" (DPoS).

IOTA uses a network known as the "Tangle".

This is a directed acyclic graph (DAG) transaction and settlement system. Hence it is very different to other crypto like bitcoin, Ethereum, Tezos and others.

With all of these "layer one" blockchains or decentralised networks you might find that each has its own kind of wallet to store and transact with the crypto.

Getting IOTA for instance, still requires you to download a wallet – either a web wallet or mobile wallet and you can connect a Ledger hardware wallet to the IOTA Firefly wallet to secure your IOTA (also seen as IOTA or MIOTA) tokens.

But this wallet isn't suitable for Ethereum or bitcoin.

Likewise, with the Cosmos (ATOM) blockchain you would use the Keplr or Cosmostation wallet to store ATOM crypto. Again, this is perfect for Cosmos and Cosmos ecosystem tokens, but incompatible with Ethereum or bitcoin.

This is why it's so important to get used to different wallets for different blockchains and networks. You will find they are all *very similar* so once you're used to doing this a few times, you'll get used to transacting across all kinds of crypto networks.

These wallets also allow you to connect to all the kinds of exchanges out there from centralised exchanges like Coinbase, Gemini and Binance, which were mentioned earlier, to network-specific decentralised exchanges, which are an important part of decentralised finance (DeFi) if you want to get involved in that world.

Blockchains, DAG or any other form of decentralised, distributed network all share that one common core element of taking centralised, controlled authority by a concentrated elite, and taking that power base out to all the users – the people on the wider network.

And that's the real power of these networks, and why they're all equally important in their own right. Once you get comfortable using these networks and buying, sending and storing the different crypto in different wallets across different "chains", you'll fast realise how liberating it is to have no friction in a monetary system.

Lingo

Already I've introduced you to lingo like PoW, PoS, Tangle, tokens, crypto, wallets (not like the ones in your pockets) Ledger, Trezor, "cold" and "hot" storage, DeFi, and many other terms that will either be new or have different meanings to what you might expect them to be. There's also common terminology in crypto that you'll come to get used to.

This includes terms like "**hodl**" – originally a misspelling by a drunk person on a forum, hodl means "hold". But it's become popular in crypto to mean getting a stake in a crypto and holding on to it long term. "Hodl strong" is one such phrase to encapsulate this.

FOMO simply means *fear of missing out*. It's an unbelievably strong factor in how crypto values move so fast in the market.

FOMO, by the way, is applicable in not just the crypto world but also normal markets when irrational exuberance gets in the way of rational thinking and actions.

"Not your keys not your crypto" – now you have a bit of an understanding about the importance of securing your seed phrases, and protecting your wallets and private keys, this term becomes more self-explanatory. If you don't control the private keys and security to your crypto wallets which are storing your crypto, then they're not really your crypto in that someone else has ultimate control over them.

A few more terms you might start to see include, **"moon"** or **"wen lambo"** which is a catchcry from those in crypto just wanting to turn a quick buck from any old crypto no matter how rubbish it may be.

"Pumpers" or **"shillers"** are people who blindly ramp up the prospects of altcoins that have no real strengths and then hope to dump the holdings on those who get FOMO and pile in, driving up the price.

"Rekt" is what happens when you have a holding in crypto and keep holding to a point where it's completely worthless or the project doesn't exist any more. Or you've got funds in a DeFi protocol that's hacked and drained and all your funds are stolen.

It's a bit like it would be if you were an early investor in a private startup company who went bust and your shareholdings would be untradeable and worthless. Or if you had a £100 note in your hand on the street and someone literally snatched it and ran off with it.

Here's a list of some more terminology and what it means.

Satoshi: there are two meanings here. Satoshi Nakamoto is the anonymous creator of bitcoin. But a "satoshi" is also the smallest denomination of bitcoin there is which is

0.00000001 BTC. This is also known as a “sat”. Hence if you hear the phrase “stacking sats”, it means to accumulate bitcoin in the denomination of “satoshi”, not whole bitcoin.

Gas: a part of many PoS networks’ operation is the small amounts of crypto needed to be spent in order to verify and make transactions. These small amounts of crypto spent as known as gas, or gas fees or just transaction fees.

Buidl: a variation on hodl, buidl is the terminology often used when projects talking about the development and building of the project and the offering.

Bags: related to rekt, your “bags” is the analogous term for your crypto holdings. You may have a large “bag” of crypto. Or you may be a “bag holder” or “bag hodler” when you’re left holding large pools of crypto that end up being worthless after being rekt. Or sometimes your biggest bag is just the biggest position you have. The “bag” and the size of it, is merely your positions you hold in your crypto portfolio.

DeFi: can be either decentralised finance, or defiance. Most recently used as a reference to decentralised finance and the development of yield farming, crypto loans and deposits and the expanding area of decentralised finance mechanisms.

Ape (apeing): a phenomenon has emerged in DeFi where people “ape” into a project that ends up leaving them rekt. It’s a variation of blind faith with no understanding of what’s actually happening. Like throwing all your darts at once at a dart board with a blindfold on and hoping something sticks.

CEX and DEX: CEX is a centralised exchange. This is something like Binance which is effectively a custodial exchange – you have to send your crypto into the exchange to then exchange it. A DEX is a decentralised exchange. This would be something like Uniswap that allows you to exchange crypto without ever having to send your crypto into a centralised wallet. You do it all by connecting your own wallet and making the P2P exchange through the DEX interface. It is non-custodial in that sense.

ICO, IEO, token sale: these are the initial funding mechanisms for which many new projects will launch to bring in funds to further the project. ICO stands for initial coin offering. IEO stands for initial exchange offering as it’s usually facilitated through an exchange like Binance. A token sale just means a sale of tokens from the launching project.

Airdrops: sometimes rather than do ICOs or IEOs, crypto projects will airdrop crypto to a wallet to build trust and deliver value to their communities. This just means they’ll send out amounts of their crypto to all qualifying wallets on a blockchain in a mass broadcast to build awareness or to reward people that have acted under certain criteria on a blockchain. Airdrops can be almost like wallet spam, but in some instances, very rewarding and lucrative for those who actively participate in the network. These are *very common* particularly on Cosmos ecosystem networks.

Of course, with the risky nature of all this, both gains and losses are inevitable. While you may very well strike it perfectly and get a whole bunch of big winners, losses can happen too.

Gains or losses, you also need to ensure you’re sticking to the applicable tax laws in your particular jurisdiction which you would be expected to do with any kind of investment.

Cashing out and tax

It's important to know about the possible tax implications, even if you never cash out back into sterling. Every crypto-to-crypto trade in the UK technically counts as a taxable event. So if you were hoping you could get around paying your tax that way, you were hoping wrong.

We'll get to that in a second. First…

How to cash out your crypto back into sterling

The good news is that cashing out can be as easy and, in most cases, just as fast as buying in. Coinbase makes it easy to sell your major crypto, BTC, ETH or XTZ, back into sterling. Binance also recently reopened fiat deposits and withdrawals.

Others like Bitpanda and Gemini are also easy to use depending on where you live and the access to those exchanges. There are also some companies in the UK like Bottlepay and Mode Global that allow deposits and withdrawals but at the time of writing, only in bitcoin.

Quite often the best way out into sterling is through the exchange that you used to get in.

But sometimes you'll find you're in a crypto that you can't sell directly back into sterling or whatever your native currency is. In that case, you'll often need to (again) use an exchange like Binance or Coinbase to trade your crypto back to one of the major trading pairs, like BTC or ETH, and then sell those back into sterling.

This can be a little convoluted, but it's the only way until all crypto are able to be bought and sold directly into and out of fiat currency.

Of course, when doing these sorts of trades or selling back into sterling or any fiat currency, you've got to abide by your relevant tax laws.

Don't try to outsmart HMRC – pay your taxes

Okay. So you've got in, made some good trades, seen your profits increase and now cashed out for a sizeable gain.

The only thing left to do, before you go spending all that money, is pay your taxes.

Familiarising yourself with the basic rules on crypto tax will save you a lot of heartache down the line. I know this is not the most exciting part of the guide, but it's potentially the most important.

I need to start by saying that I am not an accountant and I can't give specific tax advice. I can only report what HMRC makes public and recommend that *you get professional tax advice* on your cryptocurrency transactions.

It is tricky, and new, and not even HMRC – or any tax office for that matter – has a perfect grasp on what to do and what they do say might not even be the way its treated in the future: some places even treat crypto transactions completely differently from others.

Which is why the best place to start is to just go to HMRC's (if you're in the UK) website and use that as your launching pad to understanding your tax obligations with crypto. Its page on "cryptoassets" can be found here. Also get yourself a good accountant that is open to and willing to learn everything they need to about crypto taxes.

Again, make sure you understand what you are or aren't required to do. Make sure to

keep records of your buys, trades and sells, and pay your taxes as expected. Something that comes in handy with keeping track of your buys, sells and transactions is a portfolio tracker…

Portfolio tracking

Okay, now back to the more fun parts of crypto: tracking your portfolio value.

The easiest way to keep track of your portfolio value is to use an app on your phone.

I recommend using one of the services below to keep track of your profits/loss for tax and using your phone for pure price tracking. Right now there are three good apps that let you do this.

Note: these aren't wallets, just a way to keep an up-to-date snapshot of your holdings.

CoinFolio

This is the simplest of the three, and the easiest to use. You just search for your crypto and enter how much you have and the price you paid in GBP for it. CoinFolio then tracks the value for you. Its website is Coinfolio.info – not to be confused with any others. It goes off the prices on coinmarketcap.com, so it's pretty accurate.

Delta

Delta app surged in popularity in late 2017, as Blockfolio (a former portfolio tracker that's now part of the FTX exchange) struggled under the strain of so many users. It has many of the same features as other portfolio trackers but has since expanded to all investments including stocks and even more recently, NFTs. But be warned, once you can track all your crypto on your phone, you'll be able to refresh it at will. It's incredibly addictive but a great app.

Conclusion

Okay, that's it!

We've covered loads in this Crypto Bible, but hopefully it sets you up with some basics to get started in crypto.

What I would also recommend to get a deeper understanding of why crypto exists and the reason that we're even here is to read my book, *Crypto Revolution: Bitcoin, Cryptocurrency and the Future of Money.*

That goes through a history of the whole space, why it exists, why it's here and what impact it could have on the world. My book, combined with this Crypto Bible, should put you in a perfect place to really get stuck in, learn more and get engrossed in the revolution that's taking place right before your eyes!

By being in crypto now, you are part of something that is already changing the world.

When you look back in five or ten years, my take is you'll be able to say you were part of this revolution from the beginning.

And hopefully, you'll have made a small fortune in the process.

Regards,

Sam Volkering
Crypto Investment Director, Southbank Investment Research