**Staking Coins Analysis: & What to Look For**

Proof of Stake:

* Alternative to mining
* Using coins instead of computing power
* Instead of committing electricity to run computers trying to solve complex mathematical equations and puzzles, people will stake actual coins
* How does staking work?
  + Deposit funds (Stake)/lock a certain amount of funds on a network computer (node) that is connected to the network
  + Once staking is in place, you will take part in the contest of which node will get to forge the next block, **Nodes compete for the opportunity to forge a block**
  + Stakers forge blocks they don’t mine them
  + Winner of this contest is taken into consideration by several factors such as
    - How much money is being staked?
    - How long the coins have been staked for?
    - And randomization so no single entity will gain a monopoly over forging
    - Generally speaking, whoever wins the contest gets to forge the next block of transactions, this entity is rewarded in ocins for his contribution to the network
    - Each coin has different rules as to how they calculate and distribute rewards

**Node=** Computer in technical terms

**Stake=** Your locked funds

**Staking:** Holding coins, adding them to a mining pool, profits you make come in form of transaction fees, these will depend on how much you stake and how long you do it, generally you make more profit with staking as you continue to stake more; the process of locking up a digital asset to provide economic security for a public blockchain

**Staking without having 32 Eth/Being a Validator**

Easiest Solution to staking using funds already on the exchange, can stake minimal amounts through the exchange’s validators for a fee. Cons are, exchange takes fee, no control over your coins, some exchanges will allow you to claim rewards before docking phase.

**Staking:** If you have zero plans to sell your stake-able cryptocurrencies in the next 90 days, staking is a solid option for generating some passive income while supporting the blockchain in the meantime. If you can accept a period of illiquidity, there’s very little downside. Staking is Proof-of-Stake version of mining and involves dedicating some of your crypto to the blockchain for a preset period of time (normally 14 to 90 days) in exchange for a trickle of interest

Staking Pools:

* Groups of people staking together
* Requires you to stake less, stake small amounts since all the funds are pooled together

Staking Pools Research & Analysis:

* Look at reliability Pool’s:
  + Validators
  + pool fees
  + and customer support
  + size of the pool
  + User reviews
  + Whether or not you are required to give up your private keys to the pool

Validator As a Service:

* Rent Validator from company
* Do not need to set up validator or maintain it
* Personal Validator: Requires minimum of 32 Eth
* Costs a fee
* Relatively Easy to set up, do not need to give control of your coins to another company

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| **Pros and Cons of Crypto Staking** | |
| **Pros** | **Cons** |
| * Simple, staking your Crypto is a simple, three-step process (or thereabouts) that most major platforms support * Support your favorite Crypto, Staking like mining, helps maintain a healthy blockchain * Environmentally Friendly, staking lets you engage in the more eco-conscious future of blockchain: Proof of Stake | * Ties up your Crypto, if you’d like to retain your ability to sell your crypto at a moment’s notice, either due to market fluctuations or for emergency cash, you cant |

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| Proof of Work is Generally | Proof of Stake is Generally |
| 1. + Highly Decentralized 2. + Highly Secured 3. - Power Intensive 4. - Expensive for Miners 5. -Excludes token holders from participation in rewards and decisions about network evolution | 1. + Highly Decentralized 2. + Highly Secure 3. + Accessible and not power intensive 4. + Low cost for validators 5. + Allows token holders to earn **rewards and make decisions about network evolution, rewards are most significant part** |

**Pay attention to:**

1. **Coin Value:** Steer away from staking a coin with high inflation rate
   1. You may earn big rewards initially, But since the value of the coin is volatile, you make be left with little to no profit
2. **Fixed Supply:** Ensure that the token or coin has a fixed supply.
   1. Limited circulation of coins within the market ensures a healthy demand and constant price boost
3. **Actual applications:** Cryptocurrency demand largely depends on a coin’s actual applications.
   1. If it is widely used for various applications in the real word, such as for digital payments, it will continue to have a healthy demand and price
4. **Inflation:**
5. **Illiquidity:**