



Want to buy Cryptocurrency? What you need to know!

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The past 6 months in the world of cryptocurrency has been extraordinary with all-time highs being recorded and within that time, I have received countless messages and questions from friends and family regarding this. Questions vary from ‘How do I start?’, ‘How do I buy bitcoin/ethereum and how are they different?’, ‘How much money will I win?’ and so on.

I saw myself repeating the same answers and decided to write a 101 on how to get started, as well as providing valuable links and resources that are useful in the learning process. This article will lay out how to get started with a focus on security, ease and things you should take good note of, as many people will not pay attention to the ownership and storage of cryptocurrencies.

A bit of background:

What is a cryptocurrency? In its simplest form, it is a digital currency that uses cryptography to facilitate secure transactions. Released in 2009, Bitcoin is the earliest cryptocurrency.

Bitcoin is a peer to peer payment system. These are the words of the anonymous creator of Bitcoin, Satoshi Nakamoto, in which he/she/they (Satoshi is still unknown till today) published a whitepaper in 2008 describing how Bitcoin works. It's been nearly 9 years and Bitcoin has been going strong and is currently solving real problems such as providing cheap remittances and giving people financial freedom. Through the years, many other cryptocurrencies/tokens have emerged, Ethereum being the most well-known after Bitcoin. Now there is an estimated 1000+ cryptocurrencies that have been created after Bitcoin, each, allegedly, trying to serve a different function. The fact people can create their own programmable 'money', 'asset' or 'commodity' which cannot be controlled by the governments or banks is a pretty big deal and they have already begun noticing this unstoppable trend.

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How to start out?!

Let's get into it. How do you get started?

1. Read

Buying a cryptocurrency with the hope of expected returns in the future is seen as an investment. Traditionally, before any investment, you would read about what you are actually investing into. You would ask what am I investing in? Is it risky? What are the expected returns? Are there regulations?

Whenever I get asked how to invest into cryptocurrencies, I always say first ***learn and read*** about them, don't just read papers or articles that say Bitcoin or another coin will be \$XXXX by the end of the year. Understand the problem this particular cryptocurrency is trying to solve, its value proposition and its mechanics.

I do recommend **learning about Bitcoin first** before understanding how other cryptocurrencies function because:

A. **Bitcoin provides a foundation.** Every whitepaper of a new digital currency/project will mention Bitcoin and state how they are different. So if you want to look at how different cryptocurrencies function, Bitcoin serves as a good starting point and foundation. When banks and consultancies do their research, more often than not, it starts off with Bitcoin first before delving off into creating their own Blockchain projects

B. **Resources.** There are many resources online that explain Bitcoin easily, for example [here](#) and see below

C. Understanding Bitcoin gives huge insight into what these things called Blockchain's actually are

D. **Easier to use.** There are many more businesses and companies that provide user friendly interfaces that interact with Bitcoin, as opposed to other cryptocurrencies which are very early stage and for the tech savvy

Learning about Bitcoin may mean trying to understand a bit more on the technical side, but that's ok because many non-technical people have understood and grasped the value proposition behind Bitcoin through learning its mechanics, the way it works and a bit of patience.

Here are really good explanations and videos to get you started (I recommend these because they helped me the most when understanding Bitcoin):

- [How Bitcoin Works Under the Hood](#)
- [A Gentle Introduction to Bitcoin](#)
- [Bitcoin Analogy- Yap Islands](#)

If you want to challenge yourself, [Khan Academy](#) does an amazing job explaining complex topics in simple terms.

2. Ask

After a lot of reading, you will have quite a few questions. That is very normal. There are forums online, [here](#) and [here](#), where you can ask questions, or you may find some threads that already answer the questions you have on your mind.

Also, those who work in the industry are very approachable. Check out your nearest

meetups through meetup.com or other platforms to connect with these experts. There are also dedicated Blockchain and Cryptocurrency conferences all around the world that you can check [here](#).

These local Meet-ups and worldwide conferences are an awesome way of meeting people in the industry, as you can learn a lot from their past experiences and knowledge. Remember, there are no such things as stupid questions!

That way you are rest assured you are actively doing research both online and offline when figuring out how this stuff works, whether its about Bitcoin or a different cryptocurrency.

Feel free to ask me any questions too by asking in the comments or private messaging me.

3. Buy a Bitcoin amount you're comfortable with and transact it!

The best way to learn is to start by doing! Let's start with Bitcoin because its easier to use. Try buying some Bitcoins (whatever amount you're comfortable with) and transacting it.

Don't forget: Only put in what you are prepared to lose!

Once bought (see section of **How and where to buy Bitcoin?** below), the process of **storing** and **transacting** Bitcoins using a Bitcoin wallet allows you to:

a) See how Bitcoin transactions work

b) See your transactions live on the Blockchain being processed and executed
<https://tradeblock.com/bitcoin/>

c) Familiarise yourself with how to use Bitcoin and associated wallets and then you will be able to use different wallets that support different cryptocurrencies

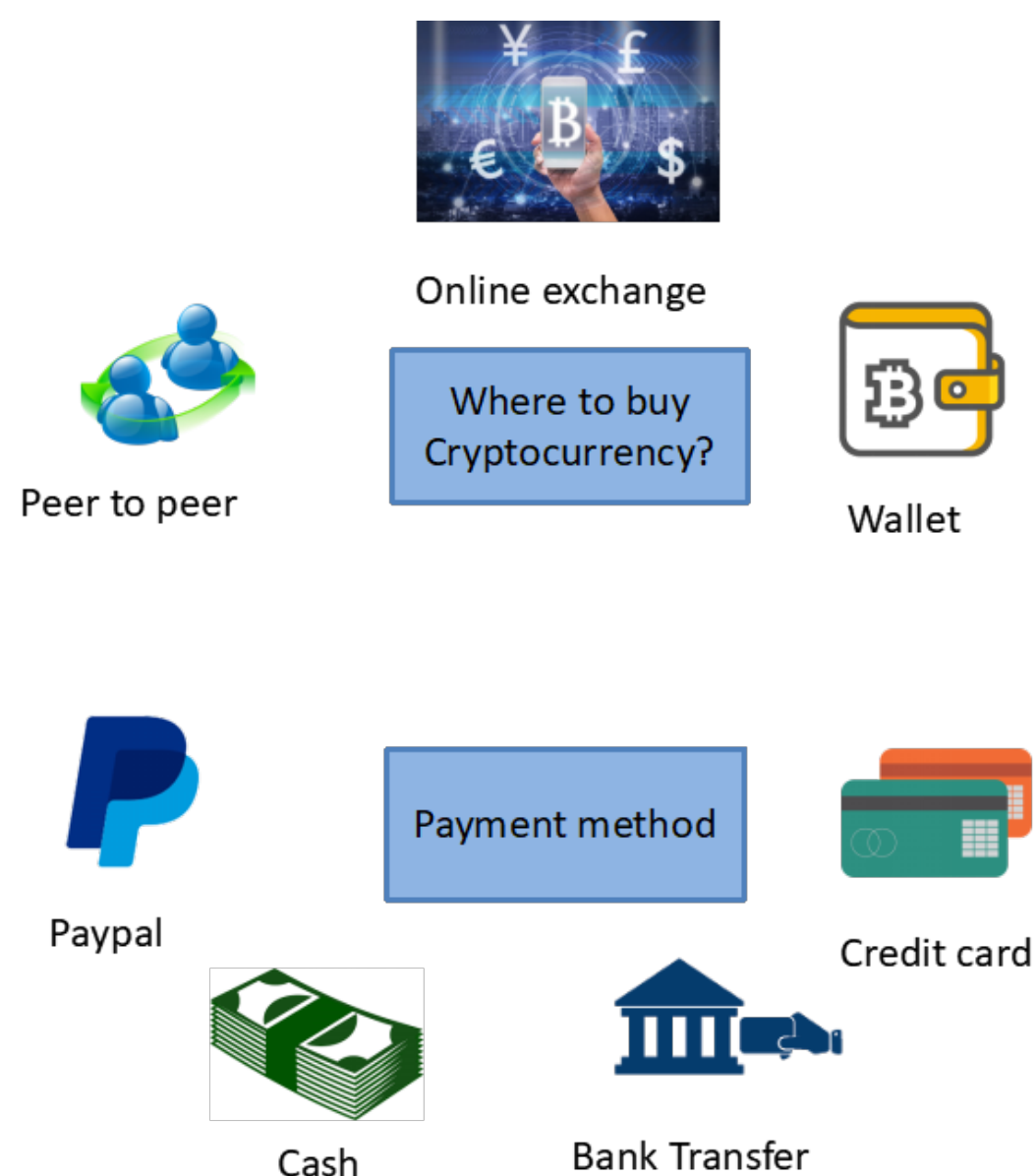
So what Bitcoin Wallet apps are recommended?

Due to user friendliness, many people have used the Blockchain.info wallet (do not be confused by the name, as this is the name of the wallet. Blockchain and Bitcoin are not the same thing). You can use it [here](#).

Other useful apps due to fundamental characteristics (which I will explain more below) are Mycelium and Airbitz. For extra security, hardware wallets such as Trezor and Ledger are popular options too.

You also have a broad selection of different wallets that support different devices [here](#) and [here](#) which compare different features and provides ratings.

How and where to buy Bitcoin?



All of the ways to buy Bitcoin and cryptocurrency will allow one or more of the payment methods.

Wallet

A “wallet” is like a cryptocurrency bank account. It allows you to receive cryptocurrencies, store them, and send them to others. Most only provide support for one crypto, and that one crypto is Bitcoin. Some wallets provide the service of buying

Bitcoins from the wallet itself which directs you to a third party. For example, Blockchain.info allows direct purchases of Bitcoin within the app.

Online Exchange

This is a market place for buyers and sellers to come to one place and trade cryptocurrencies. There are many exchanges where you can buy Bitcoins and other cryptocurrencies which support major fiat currencies such as the Dollar, Euro, Pounds, Renminbi and more.

You can compare different exchanges and pick one according to your location and currency requirements [here](#).

Peer to Peer/Over the Counter

localbitcoins.com is a great resource where you can buy Bitcoins locally, peer to peer. This may not be your cup of tea since you are dealing with a person you do not know, but Local Bitcoins truly shows the huge decentralisation aspect of Bitcoin where you can buy Bitcoins even if there are no exchanges present.

Alternatively, if you know someone selling Bitcoins, you can directly buy from them where they can send Bitcoins directly to your wallet and avoids the man in the middle (I.e. the bitcoin exchanges and the relative fees associated with them).

Now the very important bit!

As I mentioned above, there are fundamental characteristics that are very important to be aware of when it comes to wallets and cryptocurrencies in general. These are **ownership of private keys** and **wallet types**.

Ownership of private keys

Cryptocurrencies use very interesting properties from cryptography known as public and private keys. Its easy to understand this through a vending machine example.

‘Anyone can put their money inside the machine but they can’t take out the money because they don’t have the key, they can only put money in the machine. The only person who can take out the money is the owner of the machine who has the key.

In this example, the vending machine is the public address which anyone uses to send money to you. You are the machine owner, and the key that you are carrying is your

private key. Using this private key, only you can access your money and do what you please with it.’ Credit to BlockGeeks for this analogy.

So the public key is a public address where people send money to you and the private key is used to access that money and send it to others. So it is of utmost importance you retain possession of that private key.

*If you are not in possession of your private
key, then you do not control your
cryptocurrency*

Wallet types

The way you store your Bitcoins is by having a Bitcoin wallet which generates the above keys for you. There are many different types of wallets which you **MUST** know about before buying and storing your Bitcoins or other cryptocurrencies for that matter.

Some wallets **hold your private keys** (e.g. a wallet on any Online Exchange) for you and some wallets give you **full control of your private keys** (e.g. Mycellium app and Hardware wallets)

To know these wallet types, this [article](#) does an awesome job at explaining it all. It saves me from regurgitating what they have written!

If you read the above link (I hope you did), you will have a better understanding of how different wallet types work, and how essential it is to own the private key and seed that is provided when creating a wallet.

So now you are aware of this, **how can you easily buy Bitcoins and fully own it?**

- a) Open an account on an Online Exchange and buy some Bitcoins
- b) Open a separate Bitcoin wallet (where you own the private keys)
- c) Transfer the Bitcoins from the ‘Exchange Wallet’ to your newly opened Bitcoin Wallet

d) Now you fully own your Bitcoins and transact them to anywhere in the world!

Remember this is just one way to buy cryptocurrencies, and for different cryptocurrencies, it follows the same pattern.

Wrapping it up

I hope this was a useful guide for you before starting off in crypto. The FOMO (Fear of Missing Out) has hit a lot of people, driving them to look into this space. If the technology is truly innovative, akin to the internet, then it will only get more mainstream. It has been such an interesting space due to the different innovations that are occurring, and it's practically impossible to keep up with everything. So, don't worry, take your time, be patient and it will slowly make sense.

I also want to take this opportunity to recap two important points. Always remember:

- Only put in what you are prepared to lose
- If you are not in possession of your private key, then you do not control your cryptocurrency

Thank you very much for reading!

Any questions or thoughts? Pop them in the comments below!

Found it helpful or know someone who will? Like, Share and spread the knowledge!

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Very useful for a starter. Key message indeed transact with an amount that you can really afford to lose. Cryptocurrencies, even Bitcoin, are still a very new world with few if any limits, up or down.

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... 9m

Absolutely, totally agree!

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