PASSIVE INCOME ON THE BLOCKCHAIN

A guide to passive income– learn about the diverse protocols available on the blockchain and how to get started with your passive income investments.

WHAT IS PASSIVE INCOME?

Passive income is generated through investments that consistently reward a percentage of the initial investment back to the investor. The amount for the reward is dependent upon a few factors such as the amount that was invested as well as the current value of the commodity. Although the upfront costs of passive income investments are usually high, it provides a steady revenue stream. Essentially, the goal is to have your money work for you.

HOW IT WORKS

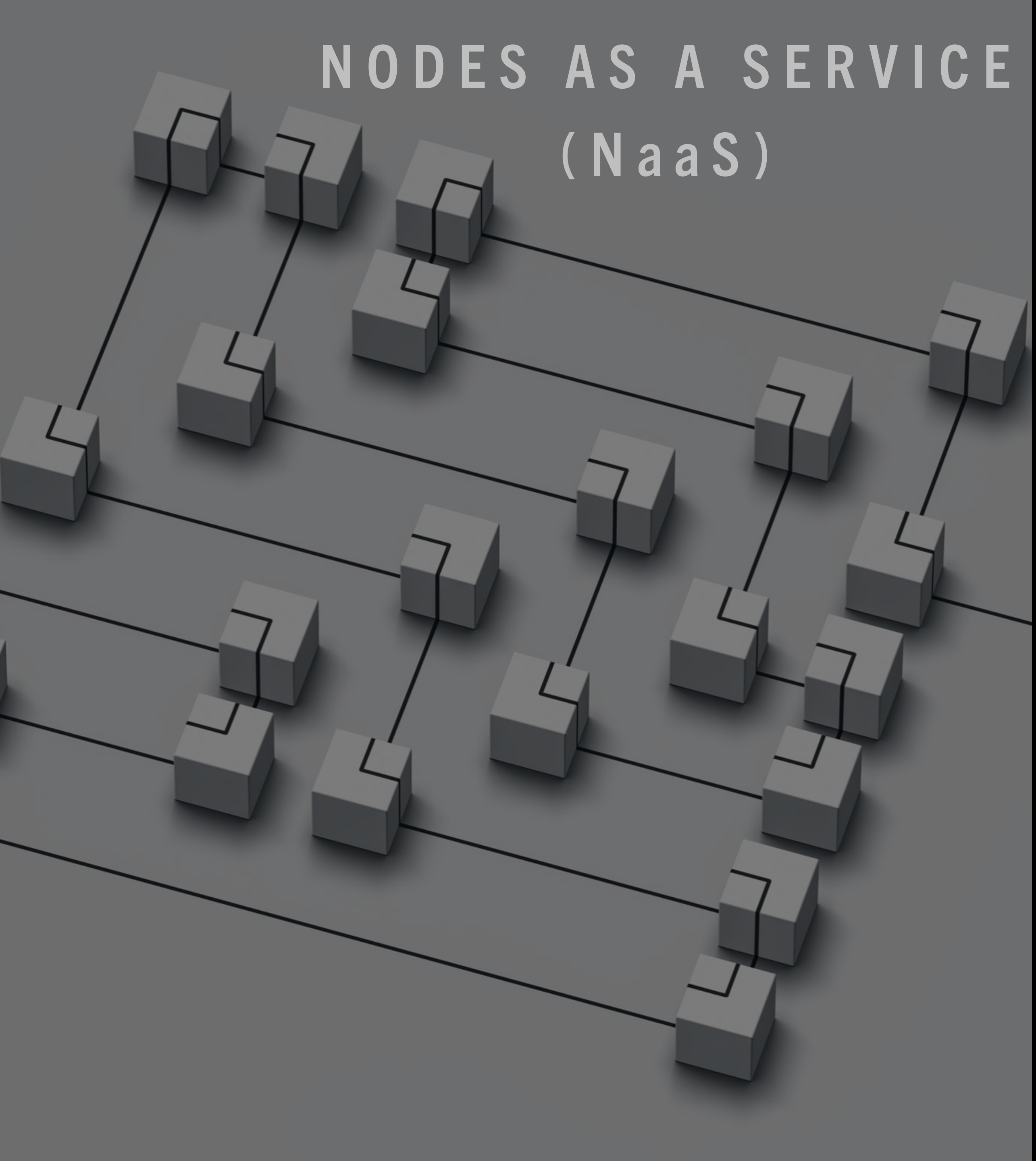
CRYPTO EDITION

The evolution of cryptocurrency enables investors to earn passive income through:

- Nodes
- Staking
- High-yield farming
- Reflections

Cryptocurrency investors are no longer required to hold a token and wait for the value to increase. By investing in one of the above protocols, you can earn a percentage of your initial investment daily. There are opportunities to earn residual income on all the blockchain networks.

NODES AS A SERVICE (NaaS)



There are several blockchains, each consisting of numerous blocks of data that are stored onto nodes. These nodes are comparable to small servers that spread and preserve the data within the network. Although nodes have different operations depending on the blockchain protocol, they all require a piece of hardware to run on.

However, Nodes as a Service does not require hardware since all the resources and technical requirements are operated by the platform. As you host a node, you will earn rewards for your contribution to maintaining the network. NaaS protocols are becoming more popular among cryptocurrencies.

EXAMPLES OF NAAS PROTOCOLS

- STRONGBLOCK on Ethereum networks
- POWER NODE on Fantom network
- THOR FINANCIAL on Avalanche network
- CUBO PROTOCOL on Polygon Network

Example of a NaaS Protocol

The following scenario provides an example of a NaaS investment :

According to the Strong Block protocol, 10 strong tokens are required to create 1 Strong node. Once a Strong node is created, the funds are then contributed to the Strong Block community. The breakdown of the contribution is as follows:

- 10% future use
- 10% to STRONG-ETH and LINK-STRONG Pools for rewards
- 20% into the Strong Pool
- 60% into node rewards pool

Investors have an ROI (return of investment) of ~115 days. In other words, you will receive your initial investment back in the form of strong token rewards in approximately 3 months (given that the price remains stable). After that initial period, all the strong tokens earned are considered profit.

Source: https://support.strongblock.com/hc/en-us/articles/4416138558868-Can-I-get-my-10-STRONG-back-

PROOF OF STAKING (PoS)

Staking cryptocurrency is the process of committing your assets to support a blockchain network and confirm transactions. Participants pledge the tokens in their possession for a minimum number of days. Essentially, you are putting those staked coins to work and earning interest on them. At the end of the staking period, you will receive the tokens back as well as the rewards you earned while staking. However, while the tokens are staked, most staking protocols won’t allow early withdrawal of the tokens. As a result, if the price of the token drops before the staking period ends, then that might outweigh any interest earned on them.

EXAMPLE OF POS

- In order to stake your SOL, what you are really doing is delegating an amount of your SOL to a so-called "validator." This makes you a "delegator." The Solana validators validate and approve transactions on the Solana blockchain.
- The Solana (SOL) cryptocurrency allows investors to stake any amount of Solana tokens. A minimum amount of 0.01 SOL is required to start staking. This is enough SOL to ensure you can stake successfully, as well as pay the Solana staking network transaction fee. Once the SOL is staked, the tokens are delegated to the validation network and earn approximately 8% APY. The rewards are distributed every epoch which is roughly every 2-4 days. The more transactions a validator validates, the more money it earns. From the earned rewards, it gives back to all the people who delegated (staked) their SOL to it. This is how you earn your interest.

https://support.exodus.com/article/1551-solana-staking-faq#what-happens

HIGH-YIELD FARMING

- Yield Farming is a method of generating cryptocurrency from your crypto holdings. It has drawn analogies to farming because it's an innovative way to "grow your own cryptocurrency." The process involves lending crypto assets for interest to Decentralized Finance (DeFi) platforms, who lock them up in a liquidity pool, essentially a smart contract for holding funds.
- The funds locked in the liquidity pool provide liquidity to a DeFi protocol, where they're used to facilitate trading, lending and borrowing. By providing liquidity, the platform earns fees that are paid out to investors according to their share of the liquidity pool. Yield farming is also known as liquidity mining.

https://learn.bybit.com/investing/yield-farming-vs-staking/#:~:text=Staking%20offers%20increased%20returns%20(or,to%20lock%20in%20their%20funds.

EXAMPLE OF HIGH-YIELD FARMING

Feeder Finance is one of the many cryptocurrencies that offers a farming protocol. You must first purchase Feed tokens in order to provide liquidity and receive LP (Liquidity Pool) tokens. Once you receive the LP tokens from your deposit, you head over to the Feeder Finance website and select the Farming tab. You will then be able to earn ~129% APR on the Feed BNB-LP tokens you stake to begin farming. However, the APR is not reflected by the growth of LP tokens, but the *value* of the LP token itself.

REFLECTIONS

Reflections were first introduced by the Safemoon cryptocurrency in their tokenomics. Safemoon's reflection mechanism is aimed at reducing volatility by encouraging investors to hold onto their tokens. The mechanism uses a smart contract that charges a 10% fee for every transaction. Half of the fee is split among holders, according to their token balance, while the other half goes to Safemoon's liquidity pool to ensure there's liquidity for buyers and sellers.

BLOCKCHAIN AWARENESS

As we enter Web 3.0, it is important to familiarize oneself with the various blockchain networks that are at our disposal. Explore the different networks while observing the advantages as well as the disadvantages of each one. For instance, the Ethereum main net has many ERC-20 tokens that depend on the network which results in gas fees exceeding the transaction amount. As a result, individuals might prefer investing in tokens that are built on a network with little to no gas fees, such as Fantom Opera. The crypto world contains diverse networks and tokens that will accommodate the preferences of every investor. All it takes is taking a deeper dive to discover the ones that fulfill your investing needs.