

# CRYPTOCURRENCY RECOMMENDED COINS AND PURPOSES



# **Recommended Coins and Their Purposes**

**If you have no crypto assets yet, here are the coins I recommend for long-term holding, to make sure you end-up making profits in time!**

## Coin #1: Bitcoin (BTC)

In the digital age, the ideal brand-new currency should have at least these three characteristics:

It should be free from the control of any authority so that it cannot be manipulated and printed at will (and devalued), and nobody can tell anyone what they can and cannot use it for.

The currency should be borderless, so that it can be easily exchanged across any location with anyone.

It should be apolitical, so as to not favor a specific system or group of people. In a nutshell, these (among many others) are the characteristics of bitcoin, which looks like an appealing alternative to any fiat-based monetary system.

Bitcoin is the world's first decentralized digital currency. Its value primarily comes from it being the first digital currency that no single person, organization or authority has control over. Anyone can buy it, anyone can receive it — and nobody can tell anyone what they can or cannot do with it.

It is a money free from dictatorship, oppression and hyperinflation, and a financial safe haven for anyone living under those circumstances. It has a limited supply of approximately 21 million total bitcoins that will never be changed, and we know exactly how many are being released into the world at what rate, as well as approximately when the last bitcoin will be created.

It is generally more difficult to understand why a decentralized currency is valuable to people who live in first-world countries because their society's money is most likely very sound, or so it appears to be. In order for people in first-world countries to understand why bitcoin is valuable, they must recognize why the fiat money system is unsound.

## THE PROBLEM WITH FIAT

In reality, any money controlled by a central bank is not truly sound, when you consider the big picture. Generally speaking, governments have created monetary systems that allow them to manipulate the supply of their country's money, assuring its value is backed by their word that it will always be worth something. The problem is that "something" has slowly been worth less and less since fiat money was taken off of the gold standard.

The reason for this is simple: Governments like to spend more than they accrue from taxes and other income streams; so, by their own power, they print enough money for their needs. When more money is printed and put into an economy, it decreases the value of each dollar already in circulation.

Bitcoin's beautifully designed characteristics mean it is poised to have an impact in people's lives in the most unstable economies (like Argentina and Venezuela, for example), where the government heavily manipulates its money.

As a brief primer, countries like Venezuela and Argentina have experienced times where their governments printed so much of their own currency that their citizens were not able to spend it fast enough before it would lose value. This has happened multiple times in each country and, as a result, their entire monetary systems fell apart, and affected citizens had to find an alternative medium of exchange.

People are entitled to freedom as a human right, and governments who ruin their own money arguably take away their people's economic freedom. Their access to the same economic opportunities as the rest of the world is virtually non-existent, and thus the greatest thing they desire is a currency that can't be controlled by a reckless central authority.

In 1912, Ludwig von Mises, a renowned Austrian economist, wrote in *The Theory of Money and Credit* that sound money "has two aspects. It is affirmative in approving the market's choice of a commonly used medium of exchange. It is negative in obstructing the government's propensity to meddle with the currency system."

He continues, “It is impossible to grasp the meaning of the idea of sound money if one does not realize that it was devised as an instrument for the protection of civil liberties against despotic inroads on the part of governments.”

## **WHY DO WE USE FIAT MONEY?**

The reason why most people accept our current monetary system is because it's what we have and it's what we have had for as long as we can remember. Because people alive today were born into the existing system of government-issued money, most of society has accepted that the gradual increase in price for everything from groceries to education is a natural phenomenon.

It is hard to believe that prices will gradually increase forever, and coffee could very well be close to \$20 per cup in 50 years (compared to the \$2 average today and the \$0.15 it cost in 1920). We accept that these increases are the natural result of inflation, which they correctly are, but the underlying reason why the inflation occurs in the first place is due to manipulations of a central authority. Unfortunately, when people are used to something for so long, they naturally find it hard to believe that a newer way might be better.

## **WHY BITCOIN IS VALUABLE**

These core flaws that plague the fiat monetary system do not exist in bitcoin. Bitcoin's supply is fixed by code that all participants of the network agree upon. The distribution rate of new bitcoins into the world is fixed and transparent, as is the approximate date when the last bitcoin will be created. Bitcoin also has no public face that can strongly influence the direction of the currency. It's the correction of these flaws of our current system that bring value to bitcoin.

## **Coin #2: Ethereum (ETH)**

Cryptocurrencies have taken the world by storm. Since 2013, the value of all cryptocurrencies in circulation has soared from \$1.6 billion to more than \$1.6 trillion at Wednesday's prices, and roughly \$1.4 trillion of that value was added in the past year, according to CoinMarketCap.

Bitcoin has been the leader of the pack, thanks to its first-mover advantage as the original cryptocurrency. However, in recent months, Ethereum has stolen Bitcoin's thunder. In the past year, Ethereum has gained roughly 1,600%, while Bitcoin is up 300%.

Ethereum has caught fire for a number of reasons, but the most important aspect of the Ethereum network is its use of smart contracts. These smart contracts built on the Ethereum network are spurring a couple of innovations that give Ethereum its value: decentralized finance (DeFi) and non-fungible tokens (NFTs), whose popularity should be closely followed by investors.

### **The DeFi movement can't be ignored**

One of the biggest innovations spurred by the Ethereum network is DeFi. DeFi uses smart contracts on the Ethereum blockchain to offer traditional financial products, like insurance or loans, without the need of intermediaries like brokerages or banks. Two hands, made out of digital networks, form a handshake.

These smart contracts eliminate the need for a trusted third party to verify the transaction. Nick Szabo, an early pioneer of digital currencies, likened them to digital vending machines. Smart contracts are programmable contracts between two parties that self-execute when specific conditions are satisfied. The third party is eliminated because the contract is programmable and exists on the blockchain, a secure and decentralized form of digital ledger technology.

The ultimate goal of DeFi is to eliminate third parties and make financial products such as loans, insurance, and trading more accessible to underserved markets. According to World Bank, 1.7 billion adults across the globe lack access to banking services. However, two-thirds of those do have access to a mobile phone and internet connection, and could benefit from DeFi. Given the problem it looks to solve, DeFi is a very attractive space right now.

### **A real-world example:**

Munich-based Etherisc built its first product, flight delay insurance, with smart contracts on the Ethereum network. It works this way: When a customer purchases flight delay insurance, it's recorded on the blockchain in smart contract form. If a flight is delayed by 45 minutes or more, the self-executing contract pays out customers instantly. The smart contract allows the customer to avoid making claims with an insurance company, making insurance more efficient.

Etherisc sees insurance as one industry ripe for disruption by utilizing smart contracts, saying they could make the purchase and sale of insurance more efficient, lower operational costs, and provide greater transparency into the industry.

Ethereum leads the pack when it comes to decentralized contracts, whose popularity has taken off this year. According to DeFi Pulse, over \$63 billion was locked up in smart contracts as of Wednesday, a 65-fold increase from the \$953 million locked up in smart contracts just one year ago.

### **Leading the NFT trend, too**

The Ethereum ecosystem is perfect for another purpose as well: non-fungible tokens.

One of the problems in the digital age is the ease with which we can duplicate digital assets like images, videos, and songs. NFTs aim to make digital products more like physical ones, by giving them scarcity, uniqueness, and proof of ownership.

NFTs have exploded in popularity in the past year. According to NonFungible, there were nearly \$67 million in sales related to NFTs in 2020. So far in 2021, sales are an astounding \$840 million, representing over 11 times growth from last year's total -- and the year isn't over yet. Comparing the full month of April to the same month last year, NFT sales were up 82-fold. To say NFTs have exploded is an understatement.

The Ethereum network plays a key role in NFTs, as most NFTs are priced in Ether - the digital token of the Ethereum blockchain. In fact, the earliest and most popular NFTs, with names like CryptoKitties and CryptoPunks, are run on the Ethereum blockchain.

### **Ethereum is my favorite cryptocurrency**

While Bitcoin was the original cryptocurrency, I think the smart contracts built into the Ethereum network make it a better cryptocurrency to invest in over the long haul. After all, there's no denying the popularity of DeFi apps and NFTs -- which are largely hosted on the Ethereum blockchain.

However, when dealing with cryptocurrencies, investors must be careful of a potential bubble, especially in the NFT space. According to NonFungible, the average sale price for crypto art had dropped 60% from its February high through the end of April. If the NFT bubble does pop, Ethereum and other cryptocurrencies will take a hit.

As an investor, it's important to understand the volatility of cryptocurrencies and allocate your capital accordingly. Despite how much I like Ethereum, I also know the price could potentially correct 40% to 60% or more due to rampant speculation in the space.

This doesn't mean it's a bad long-term investment, though. The best approach as a long-term investor is to allocate a small percent of your portfolio to the cryptocurrency and dollar-cost average into that position over time. Dollar-cost averaging will help smooth out the average price paid for your position, as you should be buying along peaks and valleys along the way while keeping a long-term investment perspective in mind.



## Coin #3: Cardano (ADA)

Cardano is one of the biggest cryptocurrencies by market cap. It's designed to be a next-gen evolution of the Ethereum idea — with a blockchain that's a flexible, sustainable, and scalable platform for running smart contracts, which will allow the development of a wide range of decentralized finance apps, new crypto tokens, games, and more.

As of March 2021, however, smart-contract functionality has yet to be rolled out by developers. An upgrade scheduled for the second quarter of 2021 will unlock smart-contract features, bringing Cardano one step closer to its goal of providing developers with a blockchain platform that is robust, secure, scalable, and highly energy-efficient.

Much like the Ethereum blockchain's native cryptocurrency is ETH, the Cardano blockchain's native cryptocurrency is ADA — which can be bought or sold via exchanges like Coinbase. Today, ADA can be used to store value (perhaps as part of your investment portfolio), to send and receive payments, and for staking and paying transaction fees on the Cardano network.

### **How does Cardano work?**

Cardano's goal is to be the most environmentally sustainable blockchain platform. It uses a unique proof-of-stake consensus mechanism called Ouroboros, as opposed to the energy-intensive proof-of-work system currently used by Bitcoin and Ethereum. (Ethereum is also moving to a proof-of-stake system via the ETH2 upgrade).

What is proof of work? Decentralized cryptocurrency networks need to make sure that nobody spends the same money twice without a central authority like Visa or PayPal in the middle. To accomplish this they use a "consensus mechanism." The original crypto consensus mechanism is called proof of work, first popularized by Bitcoin mining.

Proof of work requires a huge amount of processing power, which is contributed by virtual "miners" around the world competing to be the first to solve a time-consuming math puzzle.

The winner gets to update the blockchain with the latest verified transactions, and is rewarded with a predetermined amount of crypto.

### **What is proof of stake?**

Rather than using a network of miners racing to solve a puzzle, proof of stake uses a network of invested participants called validators. Instead of contributing processing power to secure the network and verify transactions as miners do, validators stake their own ADA.

The network selects a winner based on the amount of ADA each validator has in the pool and the length of time they've had it there — literally rewarding the most invested participants.

Once the winner has validated the latest block of transactions, other validators can attest that the block is accurate. When a threshold number of attestations have been made, the network updates the blockchain.

All participating validators receive a reward in ADA, which is distributed by the network in proportion to each validator's stake.

Becoming a validator is a major responsibility, but interested parties can also earn ADA rewards by “delegating” some of their crypto to a staking pool run by someone else.

The Cardano blockchain is also divided into two separate layers: the Cardano Settlement Layer (CSL) and the Cardano Computing Layer (CCL). The CSL contains the ledger of accounts and balances (and is where the transactions are validated by the Ouroboros consensus mechanism). The CCL layer is where all the computations for apps running on the blockchain are executed — via the operations of smart contracts.

The idea of splitting the blockchain into two layers is to help the Cardano network to process as many as a million transactions a second.

## **What are Cardano native tokens?**

On March 1, 2021, the Cardano blockchain introduced the ability to create native tokens. Like Ethereum tokens — which can include things like NFTs or stablecoins like USD Coin — Cardano native assets can be created and distributed on the blockchain and are able to interact with smart contracts.

But unlike Ethereum-based tokens, Cardano native tokens aren't created via smart contract. Instead, they run on the same architecture as the ADA cryptocurrency itself. According to the nonprofit Cardano Foundation, this makes Cardano native assets “first-class citizens” on the blockchain. Their native architecture can theoretically make these tokens more secure and reduce the fees associated with transactions.

## **Coin #4 : Polygon (MATIC)**

### **What is Polygon?**

Previously known as Matic Network, Polygon is a framework for building interconnected blockchain networks.

It seeks to address some of Ethereum's major limitations—including its throughput, poor user experience (high speed and delayed transactions), and lack of community governance—using a novel sidechain solution.

Rather than being a simple scaling solution like its predecessor Matic Network—which uses a technology known as Plasma to process transactions off-chain before finalizing them on the Ethereum main chain—Polygon is designed to be an entire platform designed for launching interoperable blockchains.

Through Polygon, developers can launch preset blockchain networks with attributes tailored to their needs. These can be further customized with a growing range of modules, which allow developers to create sovereign blockchains with more specific functionality.

## **How does Polygon work?**

Polygon's architecture can best be defined as a four-layer system composed of the Ethereum layer, security layer, Polygon networks layer, and execution layer.

The Ethereum layer is essentially a set of smart contracts which are implemented on Ethereum. These smart contracts handle things like transaction finality, staking, and communication between Ethereum and the various Polygon chains. The security layer runs side by side with Ethereum and provides a "validators as a service" role which allows chains to benefit from an additional layer of security. Both the Ethereum and Security layers are optional

Beyond this, there are two mandatory layers. The first is the Polygon networks layer, which is the ecosystem of blockchain networks built on Polygon. Each of these has its own community and is responsible for handling local consensus and producing blocks. The second is the Execution layer, which is Polygon's Ethereum Virtual Machine (EVM) implementation used for executing smart contracts.

Chains launched on Polygon are capable of communicating both with one another and with the Ethereum main chain thanks to Polygon's arbitrary message passing capabilities. This will enable a variety of new use-cases, such as interoperable decentralized applications (dapps) and the simple exchange of value between diverse platforms.

## **Polygon: Ethereum's Internet of Blockchains**

Polygon is designed to facilitate a future where different blockchains no longer operate as closed-off siloes and proprietary communities, but instead as networks that fit into a broader interconnected landscape.

Its long-term goal is to enable an open, borderless world in which users can seamlessly interact with decentralized products and services without first having to navigate through intermediaries or walled gardens. It aims to create a hub that different blockchains can easily plug into, while simultaneously overcoming some of their individual limitations—such as high fees, poor scalability, and limited security.

## **What's so special about it?**

The Polygon project is one of the more recent attempts at blockchain interoperability and scaling, and is designed to address some of the perceived limitations of interoperability projects such as Polkadot and Cosmos.

For one, it's compatible with the Ethereum Virtual Machine, which makes it approachable to those accustomed to building apps on Ethereum and programming in Solidity; its rival Cosmos uses a WASM-based virtual machine.

For another, Polygon's shared security model is entirely optional; sovereign platforms don't need to sacrifice any independence or flexibility for the sake of additional security if it is not needed. It also claims to be flexible enough to incorporate any scalability solution—beyond the current Plasma chains, ZK-rollups, and optimistic rollups planned.

## **What is MATIC token?**

Although Polygon has dramatically expanded on the vision laid out by Matic Network, it still uses the same utility token, known as MATIC.

The MATIC token is used for a variety of purposes in the Polygon ecosystem, including participating in network governance by voting on Polygon Improvement Proposals (PIPs), contributing to security through staking, as well as paying gas fees.

## **Coin #5 : VeChain (VET)**

### **What is VeChain**

VeChain is a Singapore and China based blockchain company with operations in Europe, Asia and America. VeChain was Co-Founded by CEO Sunny Lu and Jay Zhang in 2015.

VeChain's vision is to lower the barrier and enabling established business with blockchain technology to create value and solve real world economic problems. Since its inception, VeChain has managed to onboard an impressive list of enterprises building applications on top of the VeChainThor Blockchain.

The VeChain Foundation is responsible for maintaining the open source and public VeChainThor Blockchain. The Foundation is governed by the Steering Committee, which currently includes members from VeChain, DNV GL and PwC China. Important decisions that need to be made are voted upon by all stakeholders in the VeChain Ecosystem, making VeChain truly decentralized.

### **The VeChain Foundation**

The VeChain Foundation, founded July 2017 in Singapore, is the overseeing body of the VeChainThor Blockchain and ecosystem. The Foundation acts as a governing body for real time decision making and is responsible for the growth of the platform. The VeChain Foundation envisions a trust-free and distributed business ecosystem to enable transparent information flow, efficient collaboration, and high-speed value transferring.

### **Governance Model**

Even though decentralization is the cornerstone of Blockchain technology, complete decentralization has been proven to have obvious defects in every applied method, including Bitcoin and Ethereum. Idealized decentralization is an Utopia even to the crypto and Blockchain world. VeChain believes in the balance of decentralization and centralization on which the platform's governance model is designed. The balance between centralization and decentralization will vary as

the ecosystem matures, with a more centralized structure at the start to enable rapid development and adoption, while slowly giving more and more power to the community as the ecosystem matures.

### **Stakeholders with voting Authority**

The stakeholders of the VeChain Foundation are the owners of VET as well as Smart Contract Owners. The voting authority each stakeholder has depends on their role and VET holdings. Stakeholders vote on important decisions such as the election of the Steering Committee, or modifications to the VeChainThor blockchain, like its consensus mechanism or technical parameters. Voting is done on the VeVote platform. Learn more about VeChain's Governance model by reading the VeChain Foundation Governance Charter (Dec, 2019).

### **The Board of Steering Committee**

The Board of Steering Committee is the governing body of the VeChain foundation. It represents the interest of all of VeChain's stakeholders. The Steering Committee defines the strategy of the Foundation and selects the team leads of the various operational teams. The Committee currently consists of 7 members including the Founders as well as members from PwC and DNV GL. Every two years all stakeholders can vote on who takes place in the Steering Committee.

### **The Advisory Board**

The role of the Advisory Board is to give advice to the steering committee and help them with the design, implementation, and vision of VeChain. The Advisory Board is selected based upon their wisdom and experience they can offer to the Foundation. Current members include Partners from PwC, Deloitte and members from Breyer Capital as well as Fenbushi Capital.

## **The VeChain team**

The VeChain team currently consists of over 100 full-time employees of which half are blockchain developers. VeChain currently has 8 offices located in Asia, Europe and the United States. The VeChain team is expected to hire an additional 100+ employees in 2019. You can read more about the VeChain team [here](#).

## **The VeChainThor blockchain**

On June 30th 2018, the VeChainThor Blockchain was officially launched. The VeChainThor Blockchain is compatible with dApps build on Ethereum, the VeChainThor codebase is build from scratch and offers unique features that are not available on Ethereum.

## **Proof of Authority**

VeChainThor implements a Proof of Authority (PoA) consensus algorithm to create new blocks. PoA is an improvement on Proof of Stake, in which all nodes are validated and approved by a trusted central party (the VeChain Foundation) before allowed to add blocks. This eliminates the risks that come with having anonymous block producers, one of the key barriers given by enterprises.

Since all Nodes can be trusted, blocks can be validated faster and far more efficient compared to PoW and PoS, reducing costs for Blockchain users, while being safer and more energy friendly. To be an Authority Masternode (AM), the individual or entity voluntarily discloses who they are (identity and reputation by extension) in exchange for the right to validate and produce blocks. It is their identities and reputations placed at stake that give all the AMs additional incentives to behave and keep the network secure. Next to the 101 Authority Nodes, everyone is free to run a Thor Node and validate transactions.



In conclusion, although I am not giving financial advice, if I were to start investing in crypto these days as a beginner, these 5 coins would be my picks considering each of the coins have a utility. To me this means these coins will be around for the next 10-20 years at least. This then means if you hold these coins for a long time, you will see gains as years go by! The longer you will hold these coins, the more money you will make, that goes without saying!