

The Basics of Bitcoin



PACIFIC NW
FEDERAL CREDIT UNION



Objectives?

- To understand the basics of Bitcoin.
- Recognize what has been driving the increased popularity of digital currency.



Cryptocurrency Vocabulary


As you hear each term, fill in the definition on the “Cryptocurrency Vocabulary” worksheet.

Name _____	Date _____
CRYPTOCURRENCY VOCABULARY	
1. Altcoin _____	_____
2. Blocks _____	_____
3. Blockchain _____	_____
4. Bull/Bullish _____	_____
5. Bear/Bearish _____	_____
6. Cryptocurrency _____	_____
7. Cryptography _____	_____
8. Fiat currencies _____	_____
9. Mining _____	_____
10. Private Key _____	_____

Let's start with an overview of how Bitcoin works...



<https://youtu.be/kubGCSj5y3k>



Read the linked article. As you're reading, think about what problem Bitcoin encountered and how they solved this problem. We'll talk about it on the following slide.

What is Bitcoin?

“Explain Bitcoin Like I’m 5”

<https://www.freecodecamp.org/news/explain-bitcoin-like-im-five-73b4257ac833/>



Stop and Discuss: Bitcoins

After reading the article, “Explain Bitcoin Like I’m Five,” discuss the following questions.

- What is the difference between physical “apples” and digital “apples?”
- What is the problem with digital assets?
- How did Bitcoin solve this problem?



Blockchains Explained

The “Ledger” the previous article mentioned is now known as a “Blockchain.” This is the built-in structure that allows a digital currency to exist without fraud in the system.

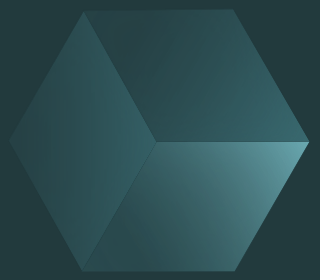
Watch this video to better understand how Blockchains work.



<https://www.youtube.com/watch?v=0B3sccDYwul>



Stop and Discuss: Blockchains

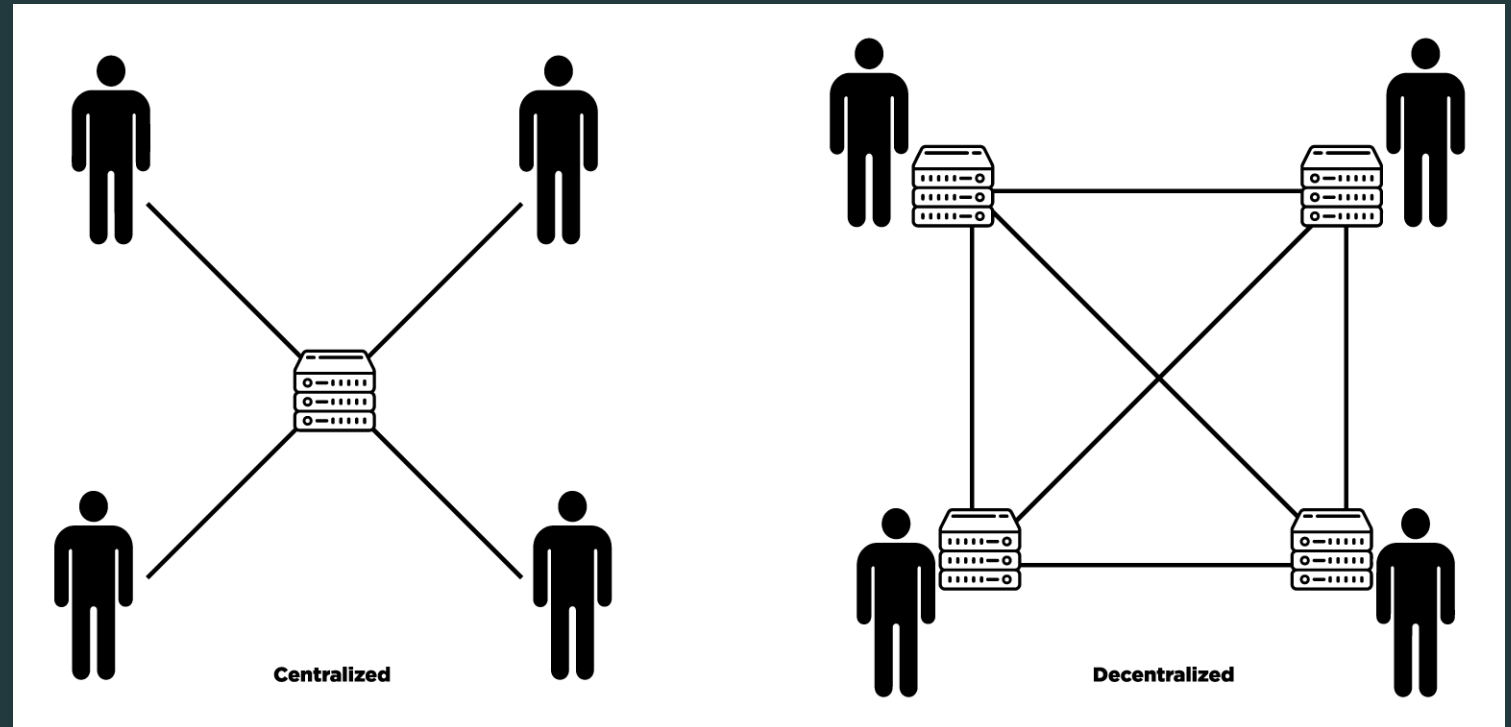


1. How do blockchains protect digital assets from fraud, theft, or duplication?

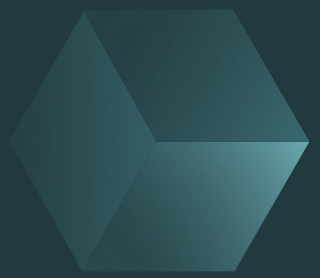
2. When they say a blockchain is “decentralized,” what does that mean?

3. How does the decentralized nature of the blockchain make it more secure?

4. How does Blockchain technology protect each crypto market?



Buying Bitcoin

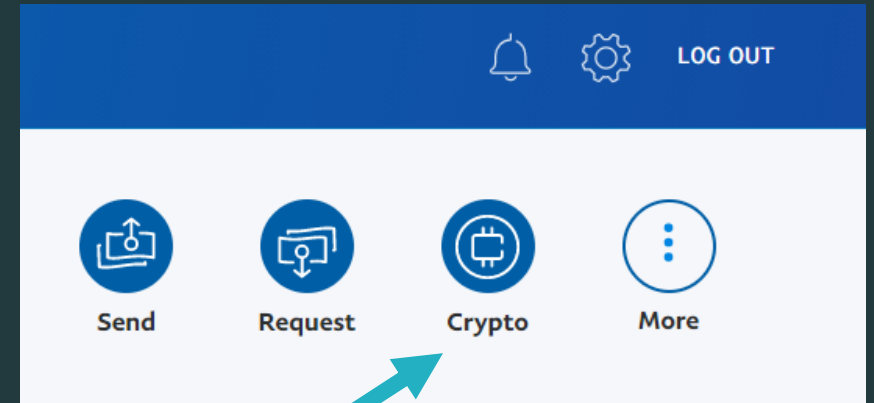


Many people now associate crypto with stocks, even though they are completely different. We'll get into their differences later – for now let's focus on this one difference – Buying Bitcoin.

Unlike stocks, cryptocurrencies can be bought on platforms such as PayPal, CashApp, or Robin Hood. Let's see what happens when we buy Bitcoin through PayPal.

We opened our PayPal account on our desktop, right next to the send and request buttons there was a Crypto button. We selected it.

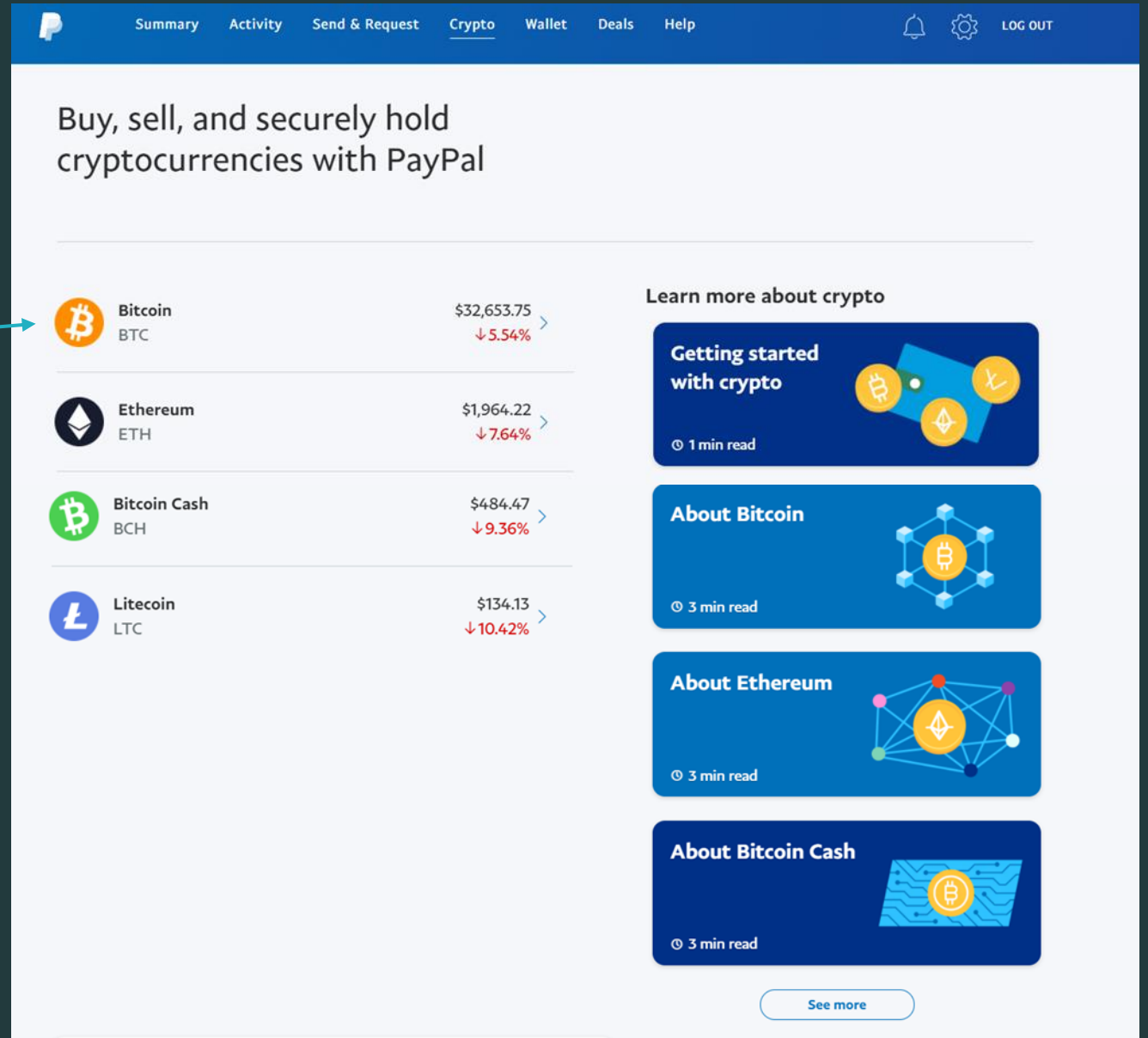
The same can be done on the app.



Buying Bitcoin

Next, we see the cryptocurrencies available for purchase with learning opportunities. We chose to buy Bitcoin.

Note: Bitcoin is currently the oldest, most established and most popular cryptocurrency.



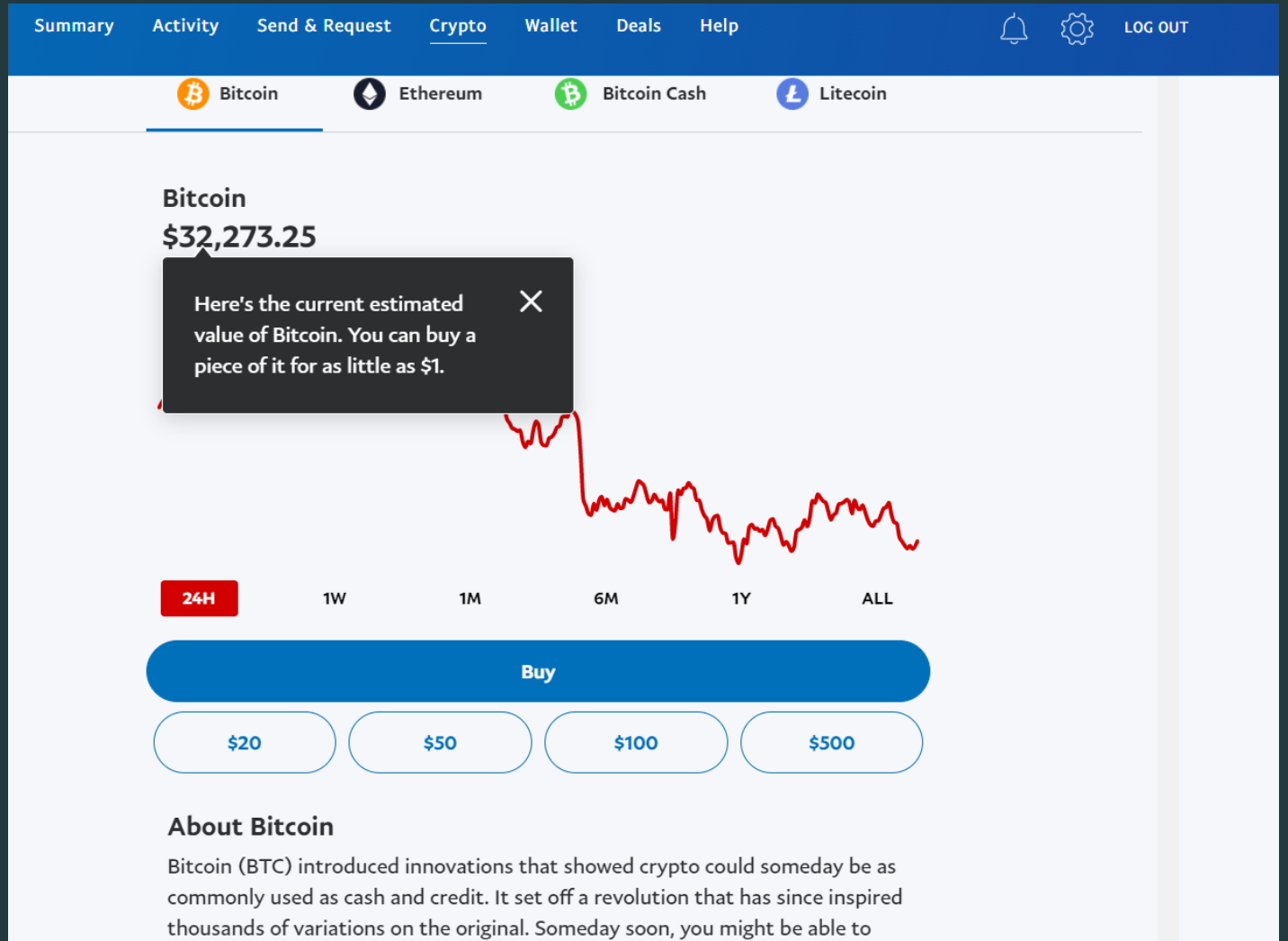
The screenshot displays the PayPal 'Crypto' interface. At the top, a navigation bar includes links for Summary, Activity, Send & Request, Crypto (selected), Wallet, Deals, and Help, along with a bell icon, a settings gear, and a LOG OUT button. Below the navigation bar, the main heading reads 'Buy, sell, and securely hold cryptocurrencies with PayPal'. A list of four cryptocurrencies is shown, each with its icon, name, ticker symbol, current price, and a percentage change indicator (all showing a decrease). A blue arrow points from the text 'We chose to buy Bitcoin.' to the Bitcoin entry in this list. To the right of the list, under the heading 'Learn more about crypto', there are four educational cards: 'Getting started with crypto' (1 min read), 'About Bitcoin' (3 min read), 'About Ethereum' (3 min read), and 'About Bitcoin Cash' (3 min read). Each card features a relevant icon. At the bottom right, a 'See more' button is visible.

Cryptocurrency	Price	Change
Bitcoin (BTC)	\$32,653.75	↓ 5.54%
Ethereum (ETH)	\$1,964.22	↓ 7.64%
Bitcoin Cash (BCH)	\$484.47	↓ 9.36%
Litecoin (LTC)	\$134.13	↓ 10.42%

Buying Bitcoin

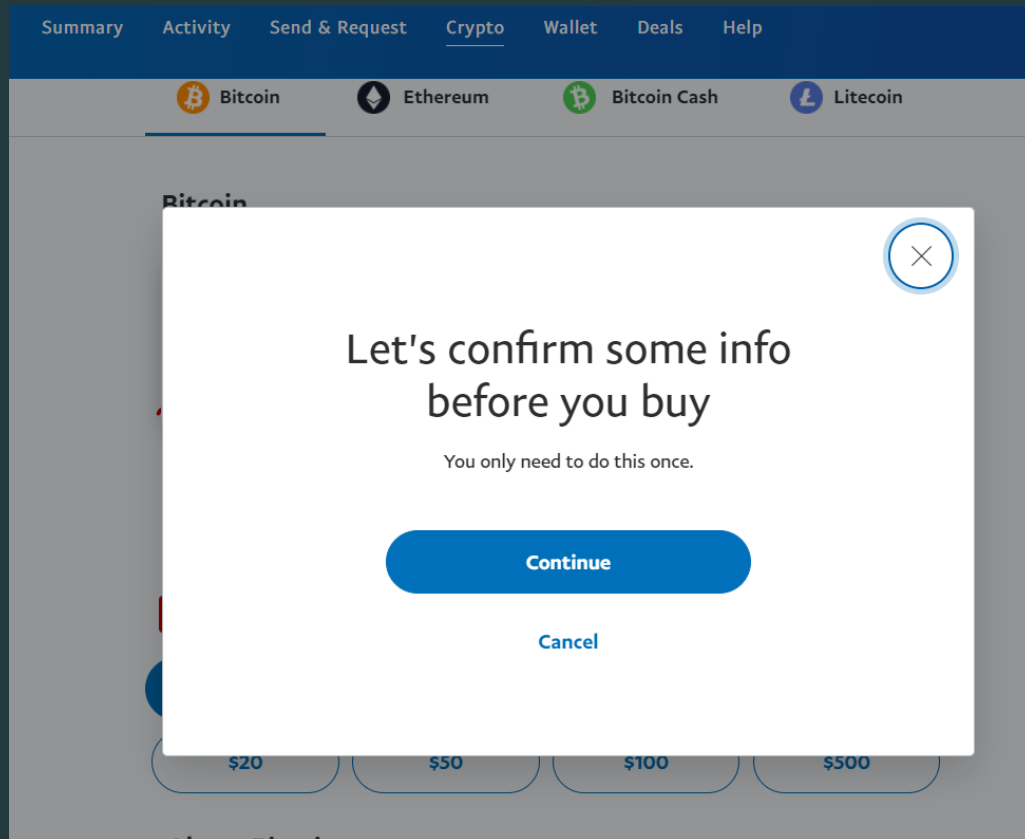
It brings us to a screen with the current price of Bitcoin. Within the time it takes us to navigate the page and hit the “Buy” button the price has fluctuated down 8 cents and back up 2 cents.

Note: The price chart is 24 hours. The market for Bitcoin does not close so the price is constantly changing.



Buying Bitcoin

Paypal terms and conditions - highlights the risk of cryptocurrency.



PayPal Cryptocurrencies Terms and Conditions

- You'll now be able to buy, sell, and hold crypto with PayPal.
- Remember, the value of crypto can be volatile, and the value of your crypto purchases can significantly decrease. Make sure buying crypto is right for your financial situation.
- Since crypto purchases and sales aren't reversible, do your research and make decisions carefully.

Cryptocurrencies cannot be used to send money or pay for goods and services on PayPal. Cryptocurrencies are not stocks and the cryptocurrency market is not regulated like the stock market. Cryptocurrency assets are also not protected against losses that result from a decline in cryptocurrency value. Buying, selling, and holding cryptocurrencies is not regulated in many states, including California.

By pressing Agree and Continue, you confirm that you have read and agree to the [E-Communication Delivery Policy](#), which provides that PayPal is an online service and that you will receive all account notices and information electronically via your primary email address. You have also read and agree to the [PayPal Cryptocurrencies Terms and Conditions](#) and [Privacy Statement](#).

Agree and Continue

Buying Bitcoin

We purchase \$5 of Bitcoin...



Buy Bitcoin

Enter or choose an amount

\$5

You can buy as little as \$1 of Bitcoin

Next

A transaction fee will be added to this amount. [Rates and fees](#)

Buy

\$20 \$50 \$100 \$500

Buying Bitcoin


We buy Bitcoin for \$5.50 after fees. Notice that Paypal continues to include the disclaimer that crypto isn't regulated and money can be lost.



\$5 will get us a fractional amount of Bitcoin.
This is the fraction we will own.

To buy 1 Bitcoin (BTC) at the time of my purchase would cost \$32,776.14.

← ×

Review and buy

 Balance [Change](#)

You're buying	0.00015255 BTC
Exchange rate 	32,776.14 USD = 1 BTC
Price	\$5.00
Transaction fee 	\$0.50
You pay	\$5.50

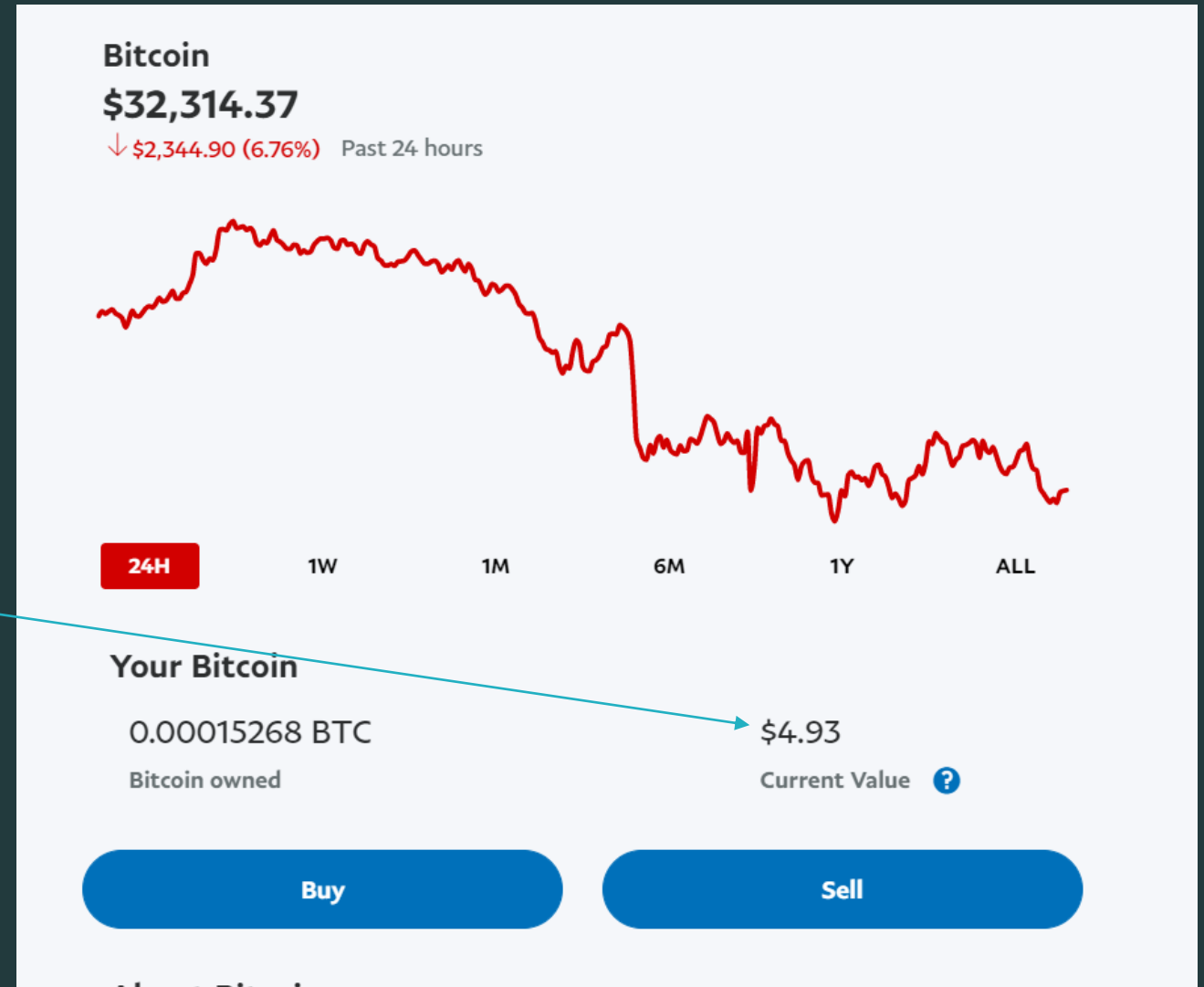
By continuing, you understand that crypto isn't regulated. Its value fluctuates and you can lose money if the value drops. See [fee info](#) and [risks](#).

[Agree and Buy](#)

Buying Bitcoin

We are now the proud owners of \$5 of Bitcoin!

However, within seconds our \$5 is no longer worth \$5. As Paypal reminds us, Bitcoin is volatile, so the price tends to rise and fall rapidly.



Cryptocurrency vs. Stocks

When you buy a share of stock, you're investing in a particular company that you believe will continue to grow in the future. Each stock purchase gives you a tiny bit of ownership of a company. With cryptocurrencies, you buy digital tokens of a particular currency to use as a form of payment, or you might simply hold on to them in hopes that they increase in value.

The hope that they will increase in value is where people often confuse crypto with stocks.



What was the first item purchased using Bitcoin?



The first items purchased using Bitcoin was...

Two pizzas. Paid with 10,000 bitcoins which is now worth around \$5.9 Billion! (Remember it's a volatile market! Bitcoin value is changing all the time so this is approximate and could be valued at a different price 5 minutes from now!) Hope they enjoyed those pizzas!



Additional Information or Questions



Looking for more info? Try watching or reading this.



<https://www.experian.com/blogs/ask-experian/bitcoin-and-cryptocurrencies-are-they-safe/>



Questions: Kristinm@pnwfcu.org