

Bitcoin Risks EXPOSED!



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Think you can Make Money Investing in virtual Currency or Mining for Free Bitcoins? Think Again.

“Bitcoin is under attack by cybercriminals, bringing down some of the world’s largest systems’s public accounting and causing widespread confusion for the centers where people trade them.”

–CNN Money February 2014

Sounds a little familiar. Right?

We all remember the recent Target scare.

Hackers stole over 40 million customer records including financial data such as debit and credit card information.

In addition, roughly 70 million account records were compromised that included cell phone numbers and home addresses. Even pin numbers and other ‘secret’ information were stolen.

With all these cyber attacks, investing money into an unregulated, decentralized volatile currency is quite risky.

Putting money into this financial slot machine where you don’t know who you are dealing with- Is definitely not the way to go.

Just look at the recent Mt Gox incident. As I write this they were hacked for over \$500 million in Bitcoins!

In just a minute, I’ll show you the reasons why Bitcoins are not a good investment for your money.

There are many reasons why and not just the threat of a cyber attack.

Nope, Bitcoins not only lack staying power, its system of constrained supply and demand currency makes for an extremely volatile market.

But before I explain the exact risks, let’s take a look at just what a Bitcoin is.

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What Exactly is a Bitcoin and Why is it a Hot New Commodity?

The As you may know, Bitcoin is a consensus network that enables a new payment system and a completely digital money system. So basically, it seeks to replace paper currency as cash for the internet.

The Bitcoin concept was implemented by a Japanese man, Satoshi Nakamoto. He created the software and protocol as an open source concept.

And the Bitcoin protocol and software allow any developer to be able to review the code or make their own modified version... That sounds a little scary.

How exactly does Bitcoin work?

Bitcoin is like a mobile app or computer program, from a user's perspective. You can put money into your account and use it pay for goods and services online. You can also obtain software and process transactions and be rewarded with Bitcoins. This process is known as "mining".

Who controls Bitcoin?

The Bitcoin network is not owned by anyone, sort of like email or the world wide web. It is actually owned by all the users around the world. All of the software developers must stay compatible with each other in order for the system to work.

Who accepts Bitcoin?

Various companies use Bitcoin such as Reddit, and some large companies like Amazon are being petitioned to accept it as well.

But here's the reality... Even though the value of Bitcoins in circulation exceeds \$1.5 billion, not very many well known companies currently accept Bitcoins.

Why are people using this new currency when they can simply use a credit card when paying online? There are some advantages to Bitcoin, such as very low fees, transparency, and few risks for merchants.

Let's take a look now at the reasons Bitcoins are not a good investment.

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Why Bitcoins are Not a Wise Investment

"Bitcoin is not a solid investment."

-Cameron Fuller - J.P. Morgan Chase

Supporters of Bitcoin argue that the main appeal is the potential for net gains in long-term investing.

However, due to the constant changing behavior of supply and demand that bitcoins are based on, nobody can predict the future of Bitcoins, begging the question of will it even still be a viable currency years from now?

It's most popular among young Silicon Valley millionaires that have money to burn. Many of these tech savvy new millionaires are shoveling boatloads of money into Bitcoin.

Needless to say, the value of their investment is swinging wildly up and down as the price of bitcoins rise and fall. It's not uncommon for Bitcoin's value to sink or soar 20% or more in a single week.

Not too long ago Bitcoin tumbled 21% after the leading Bitcoin exchange Mt. Gox suspended trading due to fraud issues.

It goes something like this.

One day you have enough Bitcoins to purchase that new \$5,000 engagement ring for your girlfriend. The next day you log into your account to make the final purchase and **boom** you are suddenly presented with the fact that your Bitcoin account is only worth \$3,500. Pretty shocking numbers, considering you could have just had the money in your checking account and used a debit card to make the purchase.

To me, Bitcoin reminds me of a new start-up technology that has many kinks to work out before it becomes a viable option for currency, and making it a good investment option for you.

You can compare to companies like Living Social and Groupon. Everyone thought these companies were the next big thing in terms of currency in the internet marketplace.

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People speculated these companies could replace paper currency by purchasing vouchers online and using them as currency. Although, they have had some success in the beginning their popularity has hit a plateau.

You get the idea.

Three Reasons Why Bitcoins are Risky

The first reason is Bitcoins are the newest bubble.

If you look at a typical bubble stages chart, it will show all the stages of the investment process. Bitcoin has already gone through all of the stages. First there is the take off, then the first sell off.

Next comes the media attention along with the enthusiasm. Greed follows, then the “New Paradigm”. Finally fear falls in to place, a big sell before collapsing as seen recently.

In my opinion, this collapsing bubble leads me to the decision that there is no money to be made in Bitcoins.

The second reason why Bitcoins are not a good investment is it's just a fad

Yes that's right. Bitcoins are just another fad. Just like Myspace, which was eliminated when Facebook took over the market. Now there's Instagram, and people are beginning to stop using Facebook all together.

With Bitcoins being the first virtual currency to hit the market. It's only a matter of time before someone else comes up with a bigger and better idea.

I don't know about you but I don't want my money invested in something that can be compared to My Space.

The third reason is it's at risk to cyber-attacks.

As I mentioned before, Mt. Gox had to freeze users Bitcoin accounts due to fraud that was taking place on their system.

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After you purchase bitcoins, there is a ten minute window that occurs before the money can be publicly recorded and placed into your account. This large window has left the system vulnerable to attack.

Users can essentially, hack into the system and remove the bitcoins and then claim they never received them.

Being cut off from your account and having your account frozen, leaving you unable to withdraw money leaves me with little faith in the virtual currency system.

The fact is the currency system is not regulated, not FDIC insured, and you really don't know who you are dealing with. It's pretty much like the Wild West during the Gold Rush of the 1800's.

And speaking of mining....

Can Mining Bitcoins Make Me Money?

Ok, so you can agree that turning your hard earned dollars into virtual Bitcoins is not a good idea. But what about all this talk about mining?

First of all, mining is the process of completing "work" on the Bitcoin network in order to be paid in Bitcoins.

Bitcoin miners are processing transactions and securing the network using specialized hardware and are collecting new Bitcoins in exchange.

Seems easy enough, right? Not exactly.

When the Bitcoin system was first set up, it sought out to allow virtually anyone from their own computer to be able to process Bitcoin transactions. Now the system is more complex and special software and hardware is needed.

This makes it harder for the average joe to "mine" for bitcoins.

The other issue is it has become extremely competitive.

The bitcoin issuance company halts completely with a total of 21 million bitcoins in existence. And the new bitcoins created each year is automatically halved every year over time until the bitcoin issuance company halts it completely.

This slowing down of bitcoin production has made it harder to mine for bitcoins.

You can clearly see why mining won't exactly make you rich.

A Final Word

If you have made it this far, you no doubt understand why I am recommending you stay away from bitcoins.

Congress has already begun to hear the backlash against the lack of regulation for this cryptocurrency. The Treasury Department, Secret Service, Justice Department, Federal Reserve, Department of Homeland Security, and the Securities and Exchange Commission all have expressed their interest in the virtual currency.

The problem is, they all have expressed their interest in **controlling** the currency. If we have the government controlling this new currency, what's the difference between a dollar and a bitcoin? The differences will surely start to diminish.

Even if one argues that government regulation can be helpful with this currency government interference, the reality is that Bitcoin is just too volatile to make for a good investment.

If a retailer accepts Bitcoin for a product and the Bitcoin price declines drastically the next day, they have made a big mistake. Retailers have seen orders decline 20% in just one week.

This sort of volatility for merchants will surely lead to less, not more companies accepting bitcoins. This isn't good for your investment.

Take my advice and invest your money elsewhere. You work hard and so should your investment.

Sincerely,

The DynamicWealthReport.com Team

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