

My Financial Coach NFT FAQs:

What is an NFT?

NFT stands for non-fungible token. In layman's terms, that just means digital certificates of authenticity. NFTs represent ownership of unique digital property like art, music, collectibles, videos, or other property with blockchain technology.

NFTs are like a signature for digital items. They authenticate ownership of the digital asset. They take the place of a physical certificate of ownership because they document:

- The creator or artist
- When it was created
- Ownership and transaction history

What exactly goes into an NFT collection?

Why NFTs of course! An artist or celebrity may create a collection of NFTs to express their personality or vision. While the artistic expression is presumably the foundation of an NFT collection, there is often publicity or revenue-generating motivation. There is a lot of money to be made with more popular NFTs today. Our NFT collection is a little bit of marketing, a good bit of education, and a lot of fun.

The fun aspect is what you should consider first as you start out collecting your own NFTs. Don't assume an NFT is worth more just because it costs more.

Are they really just expensive digital pictures?

Although NFTs are generally some sort of digital art, they are very often digital drawings, animations, and video clips. But the NFT universe goes far beyond digital art. Blockchain technology allows for much broader uses. Other types of NFTs could be:

- Digital trading cards and other collectibles
- Event tickets
- Music and other media
- Domain names
- Memes
- Virtual fashion
- Gaming
- Actual real-world hard assets

How do you make one?

An NFT is "minted" when you publish the art on the block chain to make it available for sale. The assignment on the block chain makes the artwork item and the owner identifiable. The steps are briefly described below:

1. First you must have your cryptocurrency wallet, such as Coinbase
2. Choose which blockchain where you'd like to mint your NFT.
3. Choose whether your NFT will be a single edition or multiple edition.
4. Upload your file. It can be a picture, video, or another type of digital art.
5. Choose a collection for your NFTs.
6. Title your art.
7. Choose the sale type – fixed price or auction.
8. Select the royalties.
9. Gas fees may apply. This is basically a creation fee or commission, depending on how you'd like to pay for minting and/ or marketing and selling your NFT.

Can you lose money investing in NFTs?

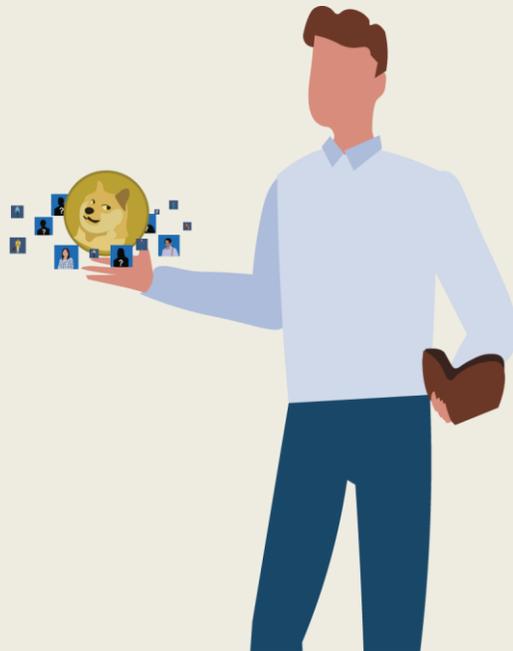
Yes. As always, buyer beware. Like many collectible markets, buyers can be fickle and prices will fluctuate. Similar to an Initial Public Offering for new corporate stock, countless fans of celebrities and athletes have bought shiny new NFTs only to find the marketable value is much less than the initial price.

What makes them valuable?

The value of the NFT is based on the desirability of the associated property, generally digital art. Like any art or collectible, that desirability can be based on the artist, exclusivity, rarity, or a sense of community. Christie's Auction House brought a new credibility and legitimacy to NFT art last year when they auctioned off Beeple's [EVERYDAYS: THE FIRST 5000 DAYS](#). It sold for over \$69 million.

What is a digital wallet?

Like the wallet you carry every day, a crypto wallet carries your ID, your money, and other things you may value. It holds your identity, specified by a long code of letters and numbers that are unique to you. It will hold your cryptocurrency and NFTs you may buy with that crypto. Although nothing is hack-proof, your crypto wallet is intended to be secure. You are provided a seed phrase that allows you to reclaim your wallet if you lose your logon credentials. Like passwords, this seed phrase should be stored privately and securely.



What are “gas fees?”

Think of gas fees as a toll for a bridge or highway. Most NFTs are traded with the Ethereum cryptocurrency. The toll, or “gas,” pays for your access to the Ethereum network. Just like surge pricing with a rideshare company, gas gets more expensive when the demand is higher. The fees pay Ethereum miners for their efforts in assuring the efficiency and security of the network.

Is an NFT an investment?

An investment is an item acquired with the goal of generating income or appreciation. Remember that an NFT acts like a title, identifying the property and the owner. Right now the NFT market is dominated by digital artwork, with varying degrees of uniqueness and scarcity. The value is assumed according to that uniqueness or rarity, which presumably makes it collectible. If you buy one and it goes up in value, you could consider that an investment.

Is an NFT a good investment?

Is a baseball card a good investment? A classic car? A piece of jewelry or art? I often ask my clients if they're speculating or investing. If you're buying something with no real value, in hopes that someday someone will pay more than you did for it, you're purely speculating and not investing. Buy them for fun, not because you count on making money.

How might an NFT fit into my portfolio?

You're most likely to buy a digital artwork NFT. In that case, it's a different investment than traditional real estate or mutual funds. Being unrelated to those other markets, it's relatively uncorrelated and offers a degree of diversification to a portfolio. That's a benefit. But the risks associated with this market and technology should discourage you from investing a significant sum of money. Don't put a purchase of NFTs ahead of important financial priorities.

What are the risks of buying NFTs?

Of course there's the risk of losing some or all of your money. There are counterfeit NFTs out there, just like there are counterfeit titles for houses or cars. So you may not be the legitimate owner of the property you're trying to buy. It's worth only what someone will pay. That makes it more of a speculative investment, with no intrinsic value. Over 10% of generation Z investors regret putting too much money in crypto last year. The risks are similar, maybe even more dramatic.

What's the future of NFTs?

The technology itself has a lot of benefits, so I'd guess it will be around for a while. Aside from counterfeiting, it gives buyers a great degree of confidence that the property is authentic and actually owned by the seller. But remember that you're not buying the technology, you're buying some other item by leveraging that technology. Just because the NFT technology should be around in the future, don't assume there will be a market for your property in the future.