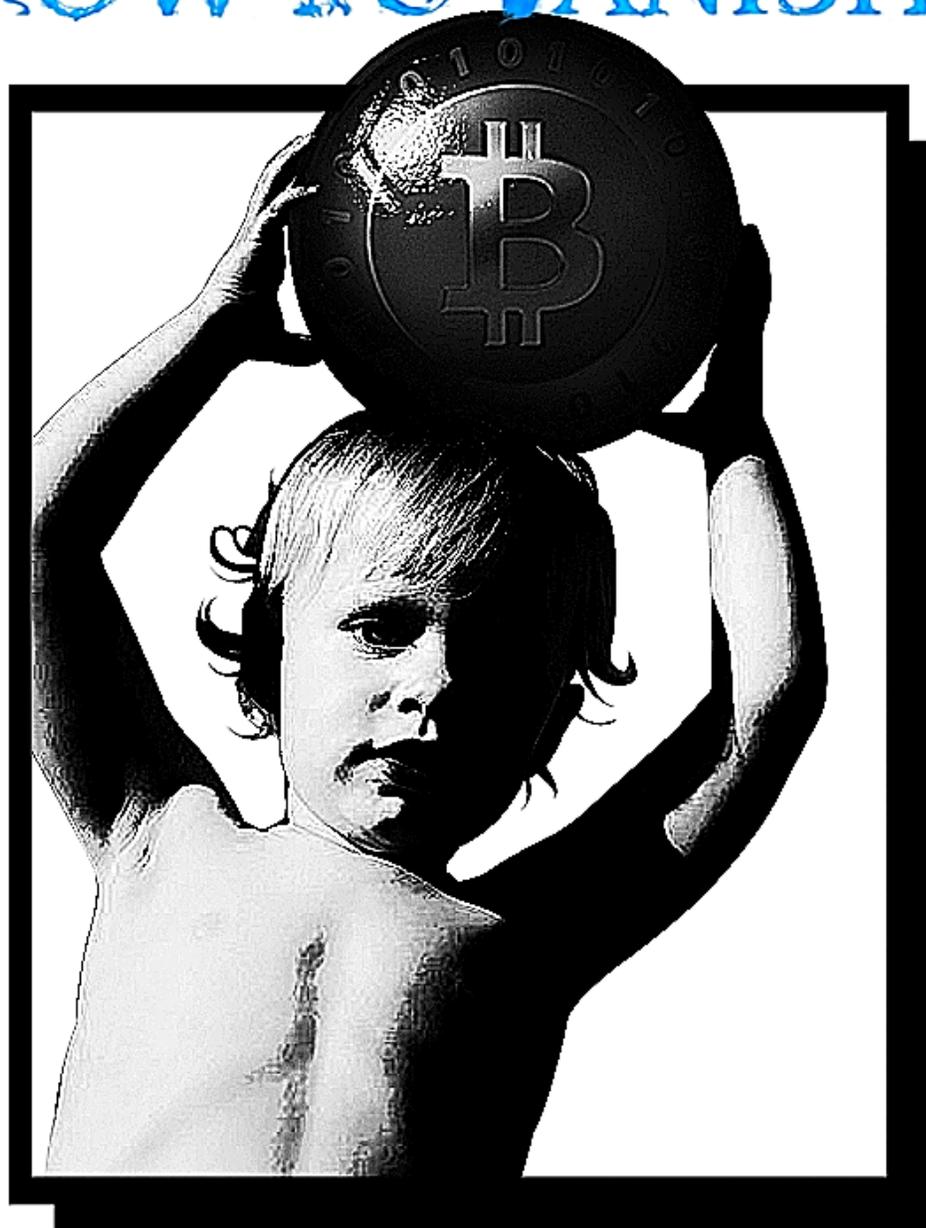


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TRACE MAYER, J.D.

# A BEGINNER'S GUIDE TO BITCOIN AND BITCOIN SERVICES

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# ABOUT THE AUTHOR

The main purpose of this guide is to provide ideas and information on how to safely use Bitcoin and Bitcoin services to avoid many undesirable and harmful effects others have experienced.

Ideas can only be overcome by other ideas. Money and force are impotent against ideas. Government abuse of currency has enabled many evils including the rise of dictators and perpetuation of genocide.

The abandonment of sound money is the chief reason, if not the only reason, that the world has become such a dangerous place. Bitcoin, being merely open-source software code, is a powerful idea and tool to counteract these evils.

As the worldwide fiat monetary system evaporates it will take education, humility and willingness to explore new technologies like Bitcoin to successfully navigate the chasm and retain one's wealth. We are feeling the gigantic tectonic plates underneath the financial system begin to shift.

The shift of wealth that is happening is gargantuan and if one is properly positioned they can profit handsomely from the change. Bitcoins, like gold, are a sterile asset and an increase in the price of bitcoins only represents a shift of wealth that has already been created and was stored in some other asset to holders of bitcoins. Luck is when preparation meets opportunity.

**Trace Mayer** is an entrepreneur, investor, journalist, and monetary scientist. He holds a degree in Accounting and law degree from California Western School of Law. He has also studied Austrian economics, focusing on the work of Murray Rothbard and Ludwig von Mises.

He is a strong advocate of the freedom of speech, operates [RunToGold.com](http://RunToGold.com) and [HowToVanish.com](http://HowToVanish.com), has authored [The Great Credit Contraction](#) and co-authored [How To Vanish The Book](#), is a member of the Society of Professional Journalists and the San Diego County Bar Association. Many of his products can be [purchased with bitcoins](#).

Trace Mayer has appeared on [BNN](#) (Canada's national financial network), ABC, NBC, many radio shows, presented at the Cambridge House Investment Conference and to many other groups. He is also a [Gold](#)

[Standard Contributor](#) to the prestigious Seeking Alpha which is syndicated through Yahoo! Finance and MarketWatch.

He has always been very interested in entrepreneurship, money and the financial markets. He believes education is the key to opportunity and humility, the ability to change and adapt, are essential to successfully allocate capital.

He generally deals with high-net worth individuals. He may be available for interviews, speaking, training, writing or consulting.



# INTRODUCTION

Since Bitcoin slithered out of the primordial monetary ooze four years ago it and the Bitcoin economy has been growing, dying, regenerating, evolving, metastasizing and developing at an extremely rapid pace. One thing is for sure: Bitcoin has not disappeared.

This decentralized peer-to-peer irreversible non-freezable crypto-currency, the ultimate 'offshore bank account' or last plane account, and the surrounding services now offer tremendous utility to hundreds of thousands of people on a daily basis.

If you have not seen the extremely popular, with over a million views, short two minute video **What Is Bitcoin?** at [WeUseCoins.com](http://WeUseCoins.com) then I highly recommend viewing it to get a succinct and accurate overview.

There have also been a significant number of unfortunate events where bitcoins have been absconded, embezzled or stolen. Additionally, as with anything scams and thieves exist so due diligence to find reputable service providers must be done to protect your capital.

Nevertheless, with this short [Beginner's Guide To Bitcoin And Bitcoin Services](#) you will be able to safely, easily and quickly learn how to store, acquire, sell, spend, speculate and invest bitcoins.

# SUMMARY OF RECOMMENDED SERVICES

## STORE

[Bitcoin.org](https://bitcoin.org) - the open-source software

[Blockchain.info](https://blockchain.info) - easy and secure online wallet to store bitcoins

## ACQUIRE

[BitInstant.com](https://bitinstant.com) - deposit cash at 700,000+ locations and receive in your exchange account within an hour

[MtGox.com](https://mtgox.com) - largest market share Japanese exchange

[CryptoXChange.com](https://cryptoxchange.com) - an Australia based exchange

## SPEND AND SELL

[Coinabul.com](https://coinabul.com) - Buy gold or silver coins with your bitcoins

[Coinapult.com](https://coinapult.com) - Send bitcoins to an email address or mobile phone number and integrated with BitInstant.com

[BTC Pak.com](https://btcpak.com) - Buy MoneyPaks with bitcoins

[BitMit.com](https://bitmit.com) - Buy MoneyPaks with bitcoins

[AmericanExpress.com/prepaid](https://americanexpress.com/prepaid) - instantly loadable via MoneyPaks, no/low fee prepaid card with \$400/daily ATM withdrawal limit

[SpendBitcoins.com](https://spendbitcoins.com) - Convert bitcoins into gift cards

## INVEST

[GLBSE.com](https://glbse.com) - Bitcoin stock and bond exchange with multiple \$100,000 market cap offerings

# STORE

Bitcoins are stored in a bitcoin wallet and can be accessed by anyone with the private encryption key. If your private key is compromised then the bitcoins could be transferred to a wallet for which you do not possess the private key.

There have been multiple thefts amounting to hundreds of thousands of dollars including the infamous MyBitcoin which absconded with many bitcoins, including a lead Bitcoin developer's<sup>1</sup>, and Bitcoinica where over 43,000 bitcoins were stolen<sup>2</sup> and a few months later an additional 18,000<sup>3</sup>.

Like physical gold which can either be in your physical possession or entrusted with a third party so likewise a bitcoin wallet can be in your possession and/or the possession of a third-party.

For your personal possession only I recommend using the Bitcoin software<sup>4</sup> or the Bitcoin Armory<sup>5</sup>. This can be cumbersome and if you lose the private key contained in the wallet.dat file then you will not be able to access your bitcoins. For the particularly savvy you could even use a 'brainwallet' which may be the most secure method available<sup>6</sup>.

There are several online solutions such as Instawallet.org where you get a URL but the wallet is not even protected by a password so I am somewhat leery.

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<sup>1</sup> <http://www.bitcoinmoney.com/post/8366783098/launch-bitomat-mybitcoin>

<sup>2</sup> <http://www.bitcoinmoney.com/post/17566027429/bitcoinica-interest-payments>

<sup>3</sup> <http://www.bitcoinmoney.com/post/23748723157/bitcoinica-no-database-backups>

<sup>4</sup> <http://bitcoin.org/>

<sup>5</sup> <http://bitcoinarms.com/>

<sup>6</sup> <http://www.forbes.com/sites/jonmatonis/2012/03/12/brainwallet-the-ultimate-in-mobile-money/>

## EASY AND SECURE

An extremely easy and secure tool is the Blockchain.info online wallet<sup>7</sup>. The private keys are encrypted in your web browser before being sent to the Blockchain.info server so it is not possible for them to abscond with the bitcoins.

There are easy to use Android and iPhone Blockchain apps although the iPhone app is only available for jailbroken iPhones since Apple removed it from the App Store for no substantiated reason.

The main risk is that the client side encryption of the private key could be compromised by the Blockchain server. But if you are only keeping a few hundred dollars worth of bitcoins then I think they are the easiest and most secure option.

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<sup>7</sup> <https://blockchain.info/wallet/>

# ACQUIRE

To participate in the Bitcoin economy you must first acquire some bitcoins. This can be done by mining or from someone who sells them either in person or through an online service. Two popular exchanges are MtGox.com and CryptoXChange.com.

To buy them through an exchange you will need to fund an account with fiat currency and fees are usually around 0.75%. This can be done easily through BitInstant.com at over 700,000 locations in the United States, Brazil or Russia such as 7-11, CVS, Chase, Wells Fargo, Bank of America, etc.

Keep in mind that Visa, MasterCard, Discover and American Express charge merchants about 1-5% of the gross amount, subject merchants to chargebacks and transactions are not private. Domestic and international wire transfer fees average around \$20-45. Western Union is no different.

Transferring value over distance is expensive with the current barbarous relic of a 500 year old financial and monetary system.

Once you have bitcoins they can be transferred for nearly free with no middlemen to charge you, freeze your funds or disclose your transactions to snoopier advertisers, private investigators, governments, etc.

The main risk with using an exchange are the wire transfer fees, possibility of a lost wire, the exchange may abscond with your funds, the bank(s) used by exchange may freeze or slow the use of funds, etc. I would only use the exchanges for amounts greater than \$5,000.

## EASY AND VERY LITTLE RISK

One easy way which skips the exchange services is to use BitInstant.com and have your bitcoins delivered via email which you then transfer to your wallet with a service like BlockChain.info.

I used BitInstant.com to hand cash to the bank teller and receive bitcoins in my secure wallet within 25 minutes. The fees are slightly higher, around 3-7%, but the savings in time, lack of a wire transfer fee, convenience and speed of delivery makes for a powerful value proposition. Plus, there is very little risk!

# SELL OR SPEND

So, somehow you got suckered into mining, buying or accepting bitcoins in exchange for a good or service and now you either want to sell or spend them. After all, what good are they if you are unable to exchange them for something you value higher?

Well, with millions of dollars worth of bitcoins changing hands everyday there are many people who will either buy or accept your bitcoins in exchange for a good or service.

Want something more solid than fancy 'cryptographic hash' then consider Coinabul.com which sells physical gold and silver for bitcoins.

SpendBitcoins.com converts bitcoins into gift cards, cash, etc. so you may find something useful such as an Amazon.com, Southwest airlines or Apple gift card.

## EASY, FAST AND LITTLE RISK

What if you want cold hard cash? Well, there is an easy solution. Get an American Express Prepaid Card<sup>8</sup>. This prepaid card has no monthly fee, no fee for either activating or reloading, one free ATM withdrawal per month then \$2/withdrawal, a \$400/daily ATM withdrawal limit, can be used with merchants that accept American Express and a balance limit of \$2,500. It or a Paypal account can be instantly loaded via MoneyPak.

This video<sup>9</sup> (click View Demo) explains how a MoneyPak works. But how do you get a MoneyPak?

Well, BTCPak.com has sold over \$50,000 worth and BitMit.com<sup>10</sup> also offers them. The fees are about 6-10% but the ease and speed are great.

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<sup>8</sup> <http://americanexpress.com/prepaid>

<sup>9</sup> <https://www.moneypak.com/ReloadHowItWorks.aspx#>

<sup>10</sup> <https://bitmit.net/en/q/?q=moneypak>

There are hundreds of merchants listed on the wiki Trade page<sup>11</sup>.

The main risks of spending bitcoins is sending to an incorrect address, dealing with a disreputable or untrustworthy merchant since payments are irreversible like cash and getting a bad deal. With fees both into and out of bitcoins you will want to be careful spending them.

Lastly, merchants may offer significant discounts for bitcoin payments.

For example, I offer discounts of about 40% with various books and guides<sup>12</sup> when paid via bitcoins using the [CoinDL.com](http://CoinDL.com) online store. For some ninja strategies you may want my guide [A Lawyer's Take On Bitcoin And Taxes](#)<sup>13</sup>.

So be sure to spread the word to merchants about Bitcoin, perhaps give them this free beginner's guide, and ask for a discount. In this economy many merchants will take payment however they can get it. And cash has always been king!

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<sup>11</sup> <https://en.bitcoin.it/wiki/Trade>

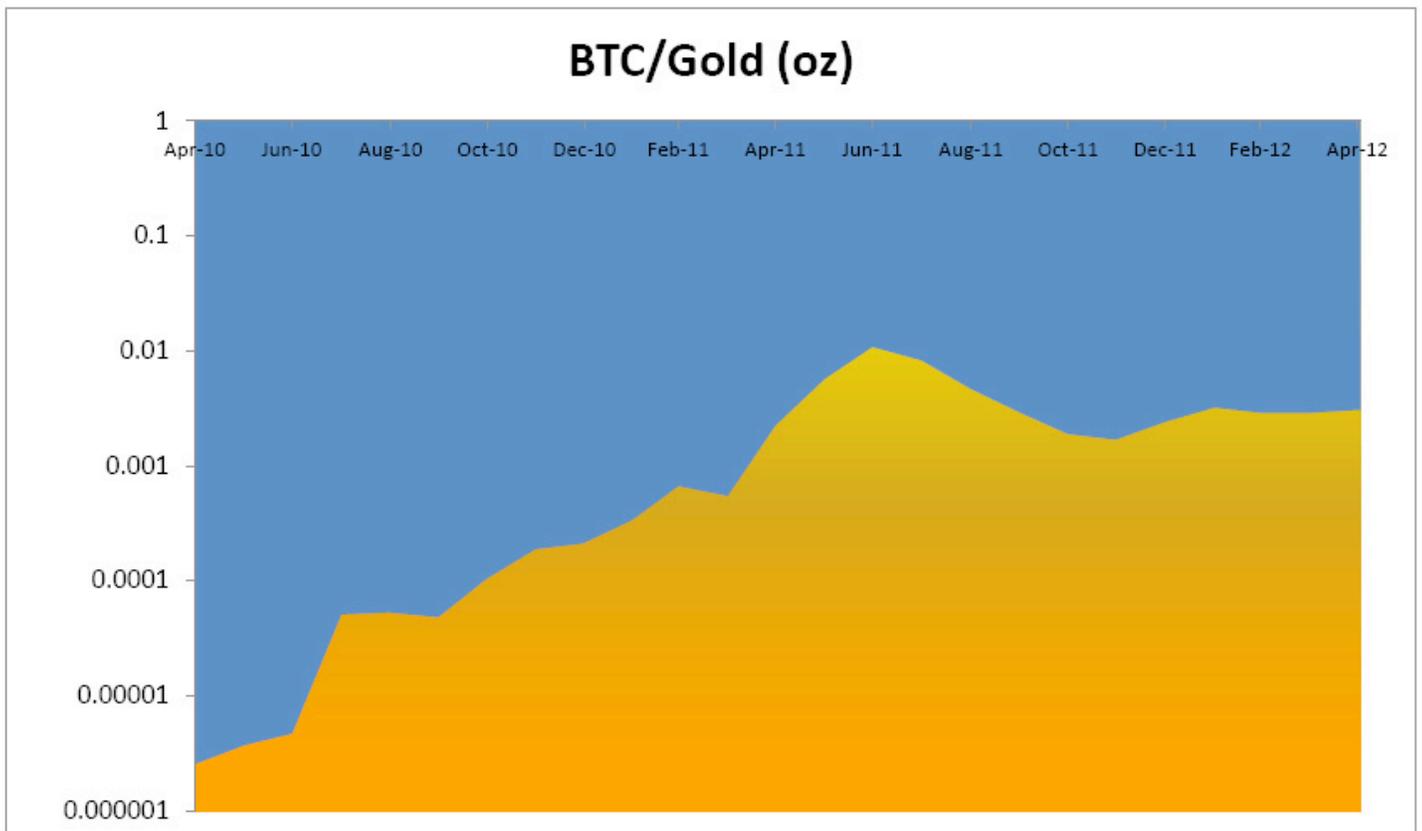
<sup>12</sup> <https://www.coindl.com/page/author/61>

<sup>13</sup> <https://www.coindl.com/page/item/104>

# SPECULATE OR INVEST

There are two ways to either speculate or invest with bitcoins.

**First**, you can do a pure speculation on the currency appreciation relative to fiat currencies, gold, silver, etc. Bitcoins have outperformed gold over the last few years and gold has outperformed all major national fiat currencies.



**Second**, you can invest in bitcoin denominated investments. One popular Bitcoin stock and bond exchange is GLBSE.com. Accounts are free to setup and the only fees, about 0.50%, are if you are the 'taker' of liquidity.

The interest rate on a currency is dependent on the underlying strength of the economy using it. Since the United States and Eurozone are so weak the yields have been in a zero-interest rate environment for years.

In contrast, the Bitcoin economy is regularly supporting loans of 1-5% per week in the private lending market and there are several stocks or bonds trading on GLBSE.com which are currently yielding about 1.5% weekly.

A couple of the more popular issues are the GIGAMINING<sup>14</sup> and BITBOND<sup>15</sup> bonds which are both bitcoin mining related operations with six figure USD market caps and weekly coupon payments in bitcoins that yield about 1.5% weekly (as of June 2012).

Of course, this should be treated as highly speculative and you should do as much due diligence as you feel comfortable with before deciding whether to speculate or invest any capital in either bitcoins or bitcoin denominated investments. There is risk of fraud, embezzlement, etc.

But there is also tremendous opportunity. When you invest in a high-yield investment where compounding is possible while denominated in a strengthening currency then your returns in the base numeraire, like dollars, euros or gold, can be multiplied.

If you begin any serious investment in the Bitcoin economy then I highly recommend you get a copy of [A Lawyer's Take On Bitcoin and Taxes](#)<sup>16</sup> because it will help you understand the lay of the land for tax law and perhaps provide you with some creative ideas or solutions.

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<sup>14</sup> <https://us.glbse.com/asset/view/GIGAMINING>

<sup>15</sup> <https://us.glbse.com/asset/view/BITBOND>

<sup>16</sup> <https://www.coindl.com/page/item/104>

## START A BITCOIN BUSINESS

Another way to invest bitcoins is by accepting bitcoins with one of your current businesses or by starting a new Bitcoin business. Two examples are [Bit-Pay](#) and [Paysius](#) which offers a complete set of merchant tools to help businesses accept bitcoins. Two business that accept bitcoins are the Bitcoin [Magazine](#) and [George's Famous Baklava](#).

You may not have heard the story of Jim, Donna and Noah<sup>17</sup>. Jim had sold his business and began traveling the world. Donna, his sister, would occasionally send him money via Western Union. During one transaction she was arbitrarily placed on the Terrorist Watch List for attempting to send him money. Noah, Donna's 20-something year old son, also attempted to send Jim money and was likewise placed on the Terrorist Watch List. There was no due process, no reason given and no known ability to appeal.

You can start your own Bitcoin business easily and for free to meet the market need for money remittance using [Local Bitcoins](#) where anyone can buy or sell bitcoins in person and avoid being placed on any potential lists.

There is tremendous market opportunity in the money remittance industry. For example, Western Union's 2010 annual gross revenues were about \$5.2 billion with 84% happening between private individuals. To send \$1,000 from the United States to Mexico would cost about \$30. From the United States to Germany would be about \$68 plus currency conversion fees. Could you provide the service faster, cheaper or with more privacy?

Remember, if you do meet someone in person to exchange cash and/or bitcoins then remember to follow best safety practices like meeting at a public place, protect your identity by not allowing your car or license plate to be seen by them, protect your password or computer securely, know how to identify counterfeit fiat currency and make sure that a sufficient numbers of confirmations, perhaps 1-6, happen with the transaction.

Of course, every jurisdiction has different laws that would be applicable so be sure to understand and follow those which are applicable.

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<sup>17</sup> <http://lewrockwell.com/orig13/card-l1.1.1.html>

# CONCLUSION

Bitcoins are a new revolutionary currency with tremendous utility. Over the past year there have been significant innovations making simple secure online storage along with quick and easy acquisition of bitcoins possible. Many merchants are accepting bitcoins and you can effortlessly convert them into national fiat currency.

The real speculative and investment excitement is with the developing capital markets within the Bitcoin economy and outrageous cash-on-cash returns currently being generated there and with private lending.

With services like BitInstant.com you can have as little as \$20 worth of bitcoins within an hour. With an American Express Prepaid Card, MoneyPak and ATM you can have cash in hand within minutes. Why not begin experimenting with this innovation to see whether the Bitcoin economy provides you any utility?

After all, with the worldwide monetary and financial system in commotion we see with the Bitcoin economy that monetary innovation is in forward motion like never before. There will be a solution to this gigantic mess and the innovators and creative destroyers will stand to reap tremendous profit. There is a chance that Bitcoin will play a significant role.

With governments engaged in massive quantitative easing, currency controls and intrusive privacy destroying legislation like FACTA then what are your options?

Have you ever thought or taken action to answer the question: If you had to take the last plane out of your country then (1) where would you go and (2) how would you maintain your standard of living?

Bitcoin could very well be your perfect last plane account. There are currently hundreds of thousands of people regularly using it around the globe, wallets cannot be frozen, there are no arbitrary limits and your wealth can, unlike physical gold, easily cross borders as it can exist as nothing but a brainwallet with nothing to declare or have seized at customs.