

What is Cryptocurrency And Should I Invest



Hey guys, welcome to another episode of "Ask Matt Lloyd". I'm here in western Australia, my parents farm, which is about five hours south-west of Perth. The nearest town here has about 15, 20 people. If you're following me on Instagram you would have seen it, I showed you the other night. Anyway, the question for today comes from Chris and it's a little bit of a controversial question, or my answer might be a little bit controversial I mean. The question is, "**What do I think about bitcoin, cryptocurrencies? What's my own take on it?**" Chris, maybe you're wondering am I personally investing in it, so I'm going to give you my best answer here.

My personal take on it, from the very little I know about it, because I'm not an expert, I've just looked at it on the surface. As far as like blockchain technology and all that, I do think that it's going to change things forever. I do think that there will be changes that are made that are here for the long term. But I also think that amongst everything, with all the people getting into cryptocurrencies and all these new coins being launched, I think there's an incredible amount of just speculation. I think that in the next few years, a lot of people are gonna lose a lot of money. That's what I think. I'm not saying that bitcoin's going to crash, that's not what I'm saying here, but I am saying that all the people getting caught up in investing in these ICOs, these new coin launchers and there's new coins launching every single day, I think that the majority of them are gonna get hurt financially in the next few years, I really do and here's why. I like it, what's going on right now, to what happened with the dot-com boom in the early 2000s. If you go back to 2000, 2001, they were talking about how the economy has changed forever. They were saying that this the new economy, things are different now, the old economy is dead, this is the new economy. They were justifying the insane evaluations on these dot-coms by saying, "This is how things will work moving forward."

For example, there were companies like Pets.com, okay? Pets.com, I can't remember the exact number, but it had some crazy evaluation, I think it actually got up there in the billions of dollars. Fundamentally, all it was a domain name, it was an idea, they had stuff for sales and yet it had this insane valuation, either hundreds of millions of billions of dollars. There were many companies like that. You could go on RegStar, a dot-com name, throw it together, a few staff

rent out your new office and you could get insane evaluations for it. It was everywhere, it was all over the media, people were investing. People were making seemingly easy money. They were investing and six months later, what they'd invested in had gone up by 30%. Everyone was watching all the people around them do this. They were watching everyone else invest in these dot-coms and make seemingly really easy money.

What happens is, human psychology, the way it works is, when we see people around us getting things, making money and it seems really easy, we feel like, "Wow, we're missing out, we're missing the boat here. All of my friends are getting into this, they're telling me about how much money they're making, maybe I should invest." You can start to feel a little bit uncomfortable when you see everyone else around you making seemingly easy gains and you're missing out. I think that a lot of this is happening right now, just even on Facebook, right? You see everyone of Facebook, they're talking about different cryptocurrencies, different coins that are launching, they're talking about how much money they're making. I think that a lot of people who are not yet investing in cryptocurrencies are seeing that and then they are investing simply because they don't want to miss out.

My point is, that's a terrible, terrible reason to invest. Because most of them, the truth is, most of them don't even fully understand what they're investing in. I want to be very clear. I am not saying that I'm anti bitcoin or cryptocurrencies. What I am saying is that you really need to examine your reasons. Are you investing because you've looked at the fundamentals of what you're investing in and you truly, fully, deeply understand it? Or are you just investing because you look at a graph and you see this dot on the graph and it seems to continue to be going up, everyone else around you is talking about how much money they're making, you don't want to miss it out, so you think, "All right, I'm going to put some money into this." That's a terrible reason to invest, that is pure speculation. You might make money doing that. You might make money doing that, especially in the short term, you might invest in some cryptocurrency and it doubles in six months, and you think, "Wow, I've

made a lot of money." But again, that's exactly how it was in the dot-com boom. That's how it is in all of these bubbles where you have a whole bunch of speculators coming in.

Okay, so should you invest in bitcoin or not? I'm not going to give you that advice, because for some of you, it might make sense and for others it won't. I'm not going to pretend to understand cryptocurrencies on a really deep level. My point is ... Point I'm making is you've got to have valid reasons for making an investment. If it is just pure speculation, where you're investing out of fear of missing out, long term that's always a terrible mistake. My advice to you, there's a book called "The Intelligent Investor" By Benjamin Graham, go and read chapter eight of that book. Go and read chapter eight of that book. Study Warren Buffett. Why Warren Buffett? What Warren Buffett's investing reasons are, why does he invest in a company? What you'll find with Warren Buffett, one of the things that he always goes on and on about is that, you as an investor, you've got to have circle of competence, okay? This is ...

Imagine this perimeter around you and inside the perimeter are all the different investment opportunities that you truly understand. You understand what's driving the price, you can make future predictions and be relatively certain. You fully understand them. Now, outside of the perimeter are all the things that you don't fully understand. In my case, I'll admit that would be cryptocurrency. I don't fully understand, I'm not an expert in it, but my point is, most of the people that I see investing in it, in Facebook, I know they are not experts in it either. My point is you got to stay within your circle of competence. Personally, I invest in things that I understand, and that's a very small circle. I don't claim to be an expert in many different asset classes, I'm not, but I invest in things that I understand.

Investing in an island resort in Fiji, I can understand that. I understand what I need to do. I understand what I need to do to fill rooms. I know how to do that, because that's my background, I fill rooms for our seminars. Fundamentally it's the same concept as filling rooms at a resort. I do invest in gold, but that's not to make incredible returns, that's just simply as a store of

wealth. I'm not expecting to make higher returns every year, as long as it keeps up with inflation, longterm I'm fine with that. There's very few things which I do invest in, but I make sure I really know what they are, I truly understand them.

If you invest in some cryptocurrency that just launched two days ago, because you see some internet marketing guru who's telling you that the price is gonna go up 10 times in the next year, that just foolish. You might make something short-term, but long term you're going get hurt. My advice is, I'll wrap this up, because it's turning into a bit of a rant. My advice is just fully understand what you're investing in, and don't invest for speculative reasons, okay? Don't invest that way, because in long term it really works out. Hope that helps.

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