

Bitcoin for beginners

Bitcoin is the currency the Internet lacked until recently. It enables anonymous payments without exorbitant transaction costs and exchange rate charges, avoids the risks associated with credit card payments, and lets users transfer even very small amounts of money with minimal additional costs. Bitcoin quickly went from being an insider tip to fairly mainstream, and stories about the new currency abound in the media. For beginners, it's a classic case of TMI — too much information. We present a simple guide here to what Bitcoin is and isn't.

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What is Bitcoin?

Don't worry. You don't have to understand the technical details to use Bitcoin. What you need to know is that Bitcoin is the currency of the Internet. It's similar to fiat money, like the Swiss franc, the euro or the US dollar. That is, it has no hard, inner worth, only the worth assigned to it by the issuer. Unlike national currencies, however, Bitcoin is issued by private entities. For the franc and co., the respective country's national bank stands behind the currency. This is not the case with Bitcoin. And another big difference between conventional currencies and Bitcoin: you can't hold a Bitcoin in your hand. It's purely digital, not physical.



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Bitcoin for beginners

How do I get hold of some Bitcoin?

In the meantime, you can acquire Bitcoin at selected cash machines (ATMs) in many cities. In Zurich there's one at the Café Schoffel in the Niederdorf neighborhood. Otherwise, you buy Bitcoin offline for cash or on an online exchange. For offline purchases, look for a trustworthy dealer on localbitcoins.com. To find a good selection of online exchanges, take a look at bitcoincharts.com. And, of course, you can sell your products or services for Bitcoin in order to acquire the currency. Or, you can generate Bitcoin yourself. We'll tell you more about that in our Advanced Bitcoin tour.



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How can I create a Bitcoin wallet?

They may be virtual but you still need a wallet for your Bitcoins and your wallet has to have two "sides" a public side for receiving Bitcoin payments and a private one for you to store or move your Bitcoin. For your Bitcoin wallet one option is to install a software package on your computer. Either multibit.org or electrum.org might be a good place to start. You can also create an online Web wallet and for beginners, blockchain.info is a good address. It offers a sensible compromise between security and user-friendliness. They also offer a trial wallet without having to register, so you can decide if the service suits you or not.



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How can I transfer Bitcoin?

Once you have set up your wallet, you receive a key to the public pocket of your wallet. It's a string of letters and numbers 34 characters long, for example, 17fPhbmXDpye94FrNu9fnE9DztMKCxES47. That basically is your account number and you can freely give it out to receive payments in Bitcoin. The key to your private pocket, where you hold or move your Bitcoin holdings, is 51 characters long and this number should be carefully guarded. Do not store it unencrypted on your computer! But don't worry: You don't need to memorize either key. They are translated into QR codes and can be securely stored on your smartphone.



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What can I use Bitcoin for?

In the meantime, not only online shops and services accept Bitcoin. Bricks-and-mortar shops and even hotels are taking payment in the currency. At present in Switzerland some seventy business accept payment in Bitcoin. A good overview of this growing list can be found at coinmap.org. Of course, it's easier to spend Bitcoin online. At the moment, bitcoinstore.com is the flagship of the Bitcoin retail movement, trying to establish the currency's functionality. Prices are often lower than Amazon's although high shipping costs erase much of that advantage, at least to Switzerland. You can cash in your Bitcoin holdings in exchange for precious metals at coinabul.com. And the currency is also accepted at the MoneyMusuem in Zurich, the first and perhaps still the only museum in Europe to honor Bitcoin.



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Can I use Bitcoin when I travel?

Yes, you can spend and acquire Bitcoin when you're traveling, using your smartphone. In Bitcoin hotspots in Vancouver, San Francisco or Berlin, you can bypass the local currency and pay Bitcoin for your coffee directly from your phone. The retailer is spared credit card expenses and you avoid exchange rate fees. Everybody wins. And you don't even have to be online to get or spend Bitcoin: The transaction will be completed the next time you log onto the Internet.



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How much is a Bitcoin worth?

Like any market, the exchange rate for Bitcoin responds to changes in supply and demand. At the moment Bitcoin's value is rising as it spreads globally as the number of users grows. The first Bitcoin transaction was only in January 2009, when Bitcoin had no fixed value versus another currency. The first real business was done with Bitcoin a good year later, in Florida, when two pizzas were purchased for BTC 10,000. In February 2011 a Bitcoin exchange rate of one-to-one was fixed for the US dollar and about a year later it reached about fifteen dollars per Bitcoin. The upward trend continued, recently rising to several hundred US dollars per Bitcoin. That said, the exchange rate has seen large swings, with gains or losses of as much as 20% in a day not uncommon. This makes Bitcoin an interesting addition to a diversified portfolio of investments, but less well suited for retirement savings. As

