# Intro to Bitcoin with Simon Belanger of the Canadian Investor Podcast

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DAVE All right, folks, welcome to Investing for Beginners podcast. Tonight we have a special guest with us. Tonight we have the co-host of the Canadian Investor Podcast, Simon Belanger. My French is very rusty. So hopefully, that was okay. Simon is here to talk to us about crypto, Bitcoin web3, maybe some NFT's.

So this is something that we've never really touched on. And we thought we would have Simon on to talk to us about some of those things because he's kind of the resident expert if you will. And he knows way more about it than we do. And he's a big investor in Bitcoin. And I think he even talked Braden into it as well. So this should be a very interesting conversation. Simon, thank you for joining us today. And Andrew, once you go ahead and kind of start our conversation off.

ANDREW Sure. So we're gonna go tough on you. Yeah, hopefully. All right. Hopefully, we can keep it simple, too. But this is a really fascinating topic. A lot of it is, and there's a lot of good information I'm sure you're gonna share with us. So I want to start by asking, why should people care about Bitcoin?

SIMON Yeah, I mean, that's a great question. Before I get started, though, Dave, you said my name very well. So thank you, Simon. That's usually what people say. But yeah, but that's a great question to get started. So I think before I get into a bit more details about Bitcoin, just give a brief history of money for people just to historical context, you start considering Bitcoin a bit more in understanding why it has value for a lot of people and why it's gained so much adoption in the past couple years, or while, ten years or more, since its inception.

So money, you know, in its simplest form, it's used as the value. So if I work, for example, I do some work, you guys give me money for the value I give you. So that's really the basis of any monetary system; there have been tons of different types of money in the past; one of the most important things about money is just that people can trust it and really trust it to keep its future, its value for the future.

And the money we know today actually began centuries ago, but it evolved over time. And the world used to be on what we call the gold standard. And I'm sure you guys have all heard that before. So essentially, this means that the real money was gold. So banks used to keep gold in reserve, an issue paper, which you could transact with because you know, gold was just, it's not very easy to transact if you have a barrel of gold, you know, you have to go, it's heavy, it's just not very convenient.

And then, at any time, you could bring that paper money in exchange for gold. In 1971, the US under Nixon ended the convertibility of the US dollars to gold. And then since then, essentially the US but also the world because the US is the reserve currency fell into a Fiat standard. So FIA is a word I'll probably say a lot. I'm sure people have heard it, especially in the news; you hear it a lot more with Bitcoin gaining a lot of adoption. So it just means by decree. So it's a Latin word. And in other words, the money, the fiat money, has value because it is legal tender and basically enforced by the government. So that's why it has value. The problem with that is it means there's no real cap on the money supply.

So the total money that the government's issue in the economy, and that cap is controlled by governments, and I'm not trying to, you know, get into the whole government thing. And I know, you know, the whole world's very politicized right now. But the reality is, wherever you live, central banks who are in charge of that money supply, and they're also becoming increasingly political, right, so you see it in the US, you see it in Canada, so they often have a dual mandate, you know, create jobs, but also adding a hold on inflation. I think that's the stance in the US. And it's kind of similar in Canada.

And just for context here, the US m two money supply. So that's the total amount of money in circulation. In 1992, it was 3.4 trillion. And in 2021, it's 21 trillion; if you wrap your head around that, the actual increase from 2019 to 2020 was bigger than the total money supply in the 1990s in the early 1990s. So that's one of the main reasons where people get very bullish on Bitcoin because Bitcoin is capped at 21 million bitcoins in total; there will never be any more than that. And the inflation take is probably, yeah, the most common reason that people get really bullish on Bitcoin.

ANDREW So, can you repeat the money supply growth?

SIMON Yeah, yeah. So the growth over the past three years, for example, if we want to look at a percentage, so it's grown from 2018 to 2019, it's grown 4% 2019 to 20 27%. And then the real growth will just happen in 2021. COVID grew 25%, and then in 2021, it was on pace to grow. I don't have the updated data, but it was on pace to grow around the mid-teens in terms of percentage.

And that's way higher than the financial crisis in 2008 2009, which we're looking back then around like six to 10%, depending on the years and the total in absolute value at the end of 2021. We were looking at around 21 trillion. And then, in the early 1990s, we were looking around 3 trillion.

ANDREW Yeah, I mean, it really compounds like growth really compounds, especially at big numbers. Yeah. I'm just gonna be the annoying devil's advocate today. Because yeah, that's what I tried to do. Dave knows all too well. Oh, yes. There's some conversation. Yes. Could you make the argument? I don't want to get into a huge, like, macroeconomic debate or anything. But could you make the argument that there was a lot of money that was destroyed during COVID, from people going out of businesspeople going bankrupt? And so, you know, similar to the way in World War Two, we had huge destruction of wealth, and then they really ramped up the money supply. Could there be a parallel to that today? Or do the two kinds already take that into consideration?

SIMON Yeah, them too takes that into consideration. One of the issues that's been created with COVID-19 measures, and obviously, it's a bit different US and Canada, but it's been fairly similar. In the US,

one of the things that they did that I personally think May was probably a mistake. And that's my just my own opinion, was this kind of universal stimulus checks. I know, there was a cap on, you know, you had to have a certain income or less, but a lot of people got them, even though they still kept working and still had their jobs.

Whereas in Canada, I mean, you only were eligible if you lost your job for this type of support, or your business was affected, and so on. But we still had tons of measures, but these numbers are really is the total amount of money supply. And what most likely happened is some of that, well, that was distraught, like some people are really hurting and still are, there's no question about it. But it most likely got redistributed to, oftentimes, wealthier people, right?

So that's most likely what happened. And then one of the big differences with the pandemic versus 2008 2009 2010 is a lot of people will say, Well, you know, inflation didn't really happen then. So why is it different now? Well, if you go back to that time, one of the big differences is that there were no direct incentives to the population, there were huge bailouts, there were big increases, but for the most part, that total increase in money supply back then really just kind of stayed in the background and never really fully entered circulation, whereas now we're seeing it, enter circulation.

But also, there are other things right, without getting into the whole inflation, macro talk. But there are other reasons as well, where you know, are you incentivizing people not to work, the supply chain disruptions locked down in other countries, supply chains being on-time supply chain, so no margin of errors? And then you get this new money. People have money to spend just compounds everything, right?

So that's my long-winded answer.

ANDREW So fair to say, like if this kind of precedents of kind of helicopter money however you want to call it massive stimulus if that continues and is sustainable for the future? That's a very bullish thing for Bitcoin.

SIMON Yeah, I would think so. And I mean, there are other reasons, right? Where people actually like Bitcoin. So one of the biggest things is it's also very transparent. So you can go on blockchain.com And type in any bitcoin address, and I can, you know, explain to people how to get started as well, you know, at some point to if they want to invest in Bitcoin, but you can basically view any transaction that ever happened, you can view the first transaction that ever happened, the Genesis block on the blockchain, you'd be able to do that. And the other thing that's great about Bitcoin is it's completely decentralized.

So it's not controlled by one person. And again, not to get political, but politicians, they put pressure on the Federal Bank, I would defend in the US, but central banks, it happens all the time around the world. They're humans; they oftentimes have agendas, they oftentimes have the incentive to make the money supply grow. So it's always a good thing, in my opinion, to have a money system that's decentralized, and there's a hard cap so the 21 million Bitcoin will never increase. And it's also extremely dividable people don't realize that because they see the price of Bitcoin being like 40k, and they think that, oh my god, I missed outright? It was 40,000. It used to be $100.10 years ago or whatever. Well, Bitcoin actually, you don't need to buy a whole Bitcoin.

You can buy as little as like one Satoshi, which is eight decimals of one Bitcoin. So it was Arrow, and then you know 701. So there are really a lot of advantages of having Bitcoin in. It's also much faster in terms of getting settled than the traditional financial system. Because of the, you know, the payment that you do with

Visa, you might think it's quick, but it doesn't oftentimes settle for several days. Right. That's why you see that pending transaction on your statement when you go online.

DAVE Yeah, that's a good point.

ANDREW So maybe we won't talk about how to like, step by step, how easy is it to buy, like, if somebody wanted to go and buy some bitcoin right now,

SIMON , I think it's actually as easy as it's ever been. So the first time I bought it was one of my buddies has been into crypto since like 2011. And he's doing quite well right now, to say that, but I bought it in 2013. And you had to buy it with a credit card, and you had like a five or 10% fee to buy it because the exchanges were not reputable. So it was very difficult. And now, I mean, if people want to buy it, probably the two best ones that I know would be there Coinbase or Kraken, so you can open an account, it is KYC.

So if you hear that KYC just knows your customer, they will ask you for your information. But again, you create an account, then you're able to send some money over, and you can buy bitcoin very easily; those sides will also offer you know, if you want to dabble in other cryptocurrencies, it'll be pretty easy for you to get into those as well. But that would be the easiest way. And then, you know, once you get a decent amount of money, I would say something to consider would be cold storage.

So there are two types of storage. When you have crypto, there is hot storage and cold storage. Hot storage just means that wherever your Bitcoin, for example, is stored, it's connected to the internet. So there's always a risk of being hacked. One of the most famous Hacks is the SIM card swap. So someone will gain access to, say, your email address, and you'll have to factor authentification with your phone. And then they'll figure out your actual phone number. And you'll call your telecom your phone company, and they'll swap your phone number to their SIM card, they'll kind of impersonate you.

And then they'll be able to gain access to your account and then steal whatever crypto or Bitcoin that you have. So cold storage is the opposite. So that means that your Bitcoin would not be connected to the internet. So essentially, there are these keys, and you need to plug your key physically enter a code pretty complex code to be able to do a transaction without it, and you cannot do the transaction. So essentially, someone needs to know those physical keys to be able to steal your Bitcoin. And that's what I would recommend to anyone who has a decent amount of bitcoin to offer cold storage.

ANDREW So we have the hot storage, cold storage. Basically, if you want to get started, it's as easy as opening a brokerage account. And for my understanding, Coinbase just went public. So based on that, they should, in theory, be regulated like some of the other brokerages are at least there's a tension there from the major financial institutions. One of the misconceptions about Bitcoin, and I know I had one when I first learned about a bit and the crypto and all that was that like the government's just going to shut it down? Why is that? Very unlikely?

SIMON Yeah, so there are quite a few reasons. Well, first of all, let's just start with China trying to shut it down or ban it? I mean, they did in their country, but it still didn't ban Bitcoin or didn't shut it down. So Well, recently, right? Yeah, that was in May of last year; they had been kind of flip-flopping and threatening about it for, I think, four years, no one was taking them very seriously. And then all of a sudden, they actually did it seriously, which I mean China when they decide something unilaterally, they kind of just do it right. It's the same thing for regulating their businesses.

But to really understand why it would be extremely difficult for governments to shut it down is the way that a Bitcoin transaction is processed. So the blockchain does anytime there's a transaction, they're located in a

block, and usually, there's about 500. And when that block is completed, the next one is created, and then the next one is created, and it creates a chain. So that's why it's called the blockchain. So that's a long story short; that's why it's called a blockchain.

And the way Bitcoin works is when if I send you some bitcoin, Andrew, so I send you a Bitcoin, and what will happen is it will go to node, so nodes are just people running the Bitcoin software on their computer. Right now. There are about 15,000 nodes around the world. Of course, there are quite a few in the US Canada is a pretty big place; Russia is one as well, and it will transmit that, and then you have Bitcoin miners who actually use a computer to calculate this complex mathematical problem.

And the first bitcoin miner, it's said it's a minor, but it's a computer machine that calculates that the first machine to solve the problem actually gets to add that new block with all those transactions that were transmitted to the different computer nodes running the Bitcoin process around the world. So all these nodes have to basically say, Okay, this transaction is legit, it's good. And then, the miner who wins the mathematical problem adds it to the blockchain.

The reason why it's important to understand that is, in order for Bitcoin to be completely outlawed by governments, it would essentially mean the internet would have to be shut down around the world; that's essentially what would need to happen. And you guys know, as well as I do, the world can agree on anything. So I think yeah, I don't think that would ever happen. I mean, you know, if it happens in the US, people move to potentially Canada or South America don't move to jurisdictions that are friendly to Bitcoin. And I think, especially in the US now, what we're seeing is states are actually specific states are starting to fight over trying to get cryptocurrency and Bitcoin developers, and people kind of don't know the technology behind that they're trying to get that talent over in their state.

So you're seeing that more and more I know, Texas, Florida, New York are three states that just top of my mind that I've been very favorable recently for Bitcoin.

ANDREW So can we make it simple again, maybe just in the act of repeating it, we'll understand if we get lost. So you have the blockchain and Bitcoin, and it's basically run on a computer. And it's run on not just one, it's a computer program, which has a bunch of computers are all running at the same time, all the way around the world. I could run it right now if I wanted to on my computer for like, 100 bucks. Sure. And then it's all tracking every Bitcoin transaction. And so as long as one or two people are running the network, then Bitcoin stays alive, essentially,

SIMON Pretty much because every Bitcoin computer that is the 15,000 number that I mentioned, well, these are called nodes. Anyone could run one; you don't need a souped-up computer. This is basically a ledger of all the history of Bitcoin transactions from their start. So essentially, you know, it's as long as there's one running, it can verify that the new transaction is legitimate. And obviously, there's way more than that.

So you'd have to shut them all down to be able to basically completely shut it down.

DAVE That makes sense. So I'm going to ask him really dumb questions now. So I kind of follow what you're saying and vaguely understand some of this. So a couple of questions springs to my mind. So I guess the first is what's the difference between blockchain and Aetherium? For example, because I've heard those two terms bandied about, and I honestly don't really know what they are? So what's the difference between the two?

SIMON Yeah, so blockchain is the technology behind cryptocurrencies; okay, that's the easiest way to put it. Ethereum specifically is a different type of cryptocurrency. So Ethereum and Bitcoins, a different type of cryptocurrency, Selena, there are tons of them; if you go on coin Gecko, I think there's like 1000s now that are there, but the blockchain is essentially the technology behind it.

And it's just the aspect of having a block connected to the next block connecting to the next block from the beginning of time if you'd like, and that creates a blockchain essentially.

DAVE Yeah. Then what is the difference between the coins? So what's the difference between Bitcoin Ethereum or Solano or any other coin that you mentioned?

SIMON Yes, you know, cryptocurrencies can be quite different. So one thing I would recommend to people is to make sure to research if you're looking to invest in other kinds of cryptocurrencies, even Bitcoin, right? But for example, Bitcoin, in my opinion, is why I'm so bullish on Bitcoin; specifically, it says protocol. So all the things I talked to you about being fully decentralized, having a 21 million cap, you know, having a proof of work mechanism, without going into too much detail, that's just the minor doing that mathematical problem.

Those are all specific to Bitcoin. Ethereum, on the other hand, does not have a capped supply. So that's one of the big differences there. One of the other big differences is that Ethereum is actually a programmable blockchain. So it allows you to allows developers to actually create decentralized applications that are run by code. So a lot of the ends, which are nonfungible tokens, for example, are based on the Ethereum blockchain.

ANDREW . And let's stop you just for a second. Yeah, this is good. So when you say decentralized applications, can you give us a practical example of what that might look like?

SIMON Yeah, I mean, if you could be, for example, like I know, we were talking before coming here, web three. So it could be that some web three programs could be programmed on the Ethereum blockchain. So that's how why Ethereum is so powerful is you can program tokens on it if you've heard of stable coins that follow the US dollars like USDC.

For example, while USDC is actually a token that's on the Ethereum blockchain, it was the first of its kind now; there is more like Solano is another one that's a programmable blockchain; there are some differences against the way the protocol runs compared to Aetherium. So, for the most part, those will be the differences, right, is the protocol will be different from one to the next. You have some cryptocurrencies as well; if you I'm sure you've heard of Dogecoin with Elon Musk tweeting away all the time.

Well, some of the hype, cryptocurrencies, they have like one quadrillion in supply. So you have these tick-tock people or influencers that will be like, Oh, this is the next big one. Like, it's like, you know, 100th of a cent. You know, if it only goes up to $1, you'll be rich. Well, if it goes up to $1, the total value of that will be, what, 100 times the total money in the world right now. Like it doesn't. Yeah, so it's just to show that there are a lot of different protocols; I had a recommendation to people to try to stick to some of the bigger ones, and definitely do your research if you're looking to dabble in it.

DAVE Yeah, I mean, a lot of that makes sense. So I guess my next question before I think we kind of diverge is, how do I if I own Bitcoin? Or if I own Ethereum? How do I use it? Can I use it to go to the store and buy some gas? Or buy my groceries?

SIMON Yes or no? So yeah, you can? Yeah, so you can get basically how you I'll just use Bitcoin because honestly, that is the one that I know the most about, I know the other ones, but I'm not as well

versed. But yeah, when you use Bitcoin, so for example, they've I sold you, like my TV, for example, and you want to pay me $1,000 worth of bitcoin. So what I would do is I would give you my public bitcoin address, and you would send me that amount, let's say 0.1 Bitcoin, from your private address. And that's really important for people to understand you can share your public address, that's fine because that's where people will send you the money on, but your private address you should never send because if someone gets ahold of your private bitcoin address, that's where they can actually access your Bitcoin and send it to someone else, in terms of real-world uses.

One of the big limitations with Bitcoin is that there's a capacity limit for each block. So that's why on average, there are about 500 transactions, and it takes about 10 minutes for the transaction to go through before, so it's not ideal. But if you remember about the gold example, for the gold being, you know, the bank holds a gold, it's the actual form of money, your money, your paper money is just basically a way to exchange that you can use to exchange for gold anytime you want. Well, what some people started developing is actually a similar thing where bitcoin is the gold.

And there's a network on top of it, where you can make a much faster transaction at a much lower cost for smaller items. And that's called the Lightning Network. And the Lightning Network is actually in use right now. In a country, it's legal tender, El Salvador. So they have USD and Bitcoin as legal tender over there. And what the lightning that work does is we can actually open a channel, you and I, Dave, and let's say I would probably be better with Andrew, but let's say you and I, Dave, we want to play some poker. And we each put one bitcoin in that channel.

So there's a total of two Bitcoin, and then we play a lot of poker hands for hours and hours, and then we're done. At some point, you end up, you know, with 1.5, Bitcoin, I end up with point five, when the channel is closed, that's when the transaction is transmitted on the Bitcoin network, the Lightning Network, which is on top of it does the other transaction.

DAVE Gotcha. Okay. So in terms of Bitcoin, being money, like we talked about kind of at the start, it sounds like it's more, it doesn't have quite the functionality quite yet that using our debit card has doesn't, is that am I right or wrong?

SIMON I think you're right. Yeah, I would agree with that. I mean, the Lightning Network is still relatively young. It's, still, I think, about two years old, maybe a bit more. So just it's still in its infancy. It's grown quite a bit. The El Salvador experience experiment has been, overall, I think, going very well. But until we have the potential of seeing it, as you know, everyday money, that could be years, it could be even decades, and they could also happen.

Also, never happen. Yeah, it could be a lot of people think there might also be kind of a dual system right where you use Bitcoin a bit more as a longer-term store of value. And then you spend your every day you Your everyday spending is done with Fiat, EUR USD, Canadian dollar, euro, whatever you use, a lot of people kind of speculate that you could see a dual system like that. And one of the big things that Bitcoin, obviously that's scaring people is the volatility. Because it is volatile, I think for the most part, because a lot of people are still associated with more risk assets. So I grow stocks; if you look at growth stocks and Bitcoin, they have a pretty strong correlation, especially recently.

So I think that's one part that scares a lot of people. So if anyone wants to get into space, I would say just invest a percentage of your investment that you're comfortable with, you know, dropping 80% in value; it's not the end of the world. I say that because you know, as in the past year, it's dropped 50%, more than 50% twice, it also once more than double after that 50% drops, so you have to be able to hold it and not panic.

And just keep in mind, say you put 1% of your investments. And what's the worst that can happen? You lose that 1%. It's done. But if you're really bullish, and what a lot of people say is we're just in the early phases of the adoption of Bitcoin. And if that ten x's from now, just as an example, I'm not saying that it will, but if it does, it's going to grow to be a significant portion of your portfolio when it does.

So just always keep that in mind. I personally have a pretty big chunk, but I also have been dollar-cost averaging for about five years now. So I think it's important for people to keep that in mind.

DAVE Yeah, those are great points.

ANDREW I really like that idea of, like, the possibility of there being like a dual system or some sort of a hybrid. I think one of the things that are so irritating, frustrating, and like just completely off-putting one off-putting that as the word Thank you, is the fact that there are such extreme viewpoints on either side, or it's like either your bitcoin is going to take over the world or bitcoin is going to zero. And from, you know, some of the basics of our conversation, there's a lot of factors that go into that.

And that's probably not going to be just one or the other. I mean, going back to Dave's questions about the practicality of using it as a transaction, one of the benefits of having a centralized company to do transactions like a Visa or MasterCard is if my credit card gets stolen, or my debit card gets stolen, or there's some sort of fraud, Visa is going to foot that bill for me as part of their service.

Because they're centralized, they know their customers with something that's more decentralized, you don't always get that same layer of protection against fraud, and you know, to people who are less technologically sophisticated and don't want to carry around cold storage devices. So, you know, there are reasons why we have centralized institutions. And that's not to say that bitcoins are not a store of value at the same time.

SIMON Yeah, no, that's definitely a good point. And that's something you know when the thing with Bitcoin is when the transaction is done; it's nonreversible, you know, that's one of the disadvantages you just mentioned there. One of the advantages is people take it for granted because we live, you know, I live in Canada, you guys live in the US, but, you know, one of the issues with fiat money is the funds can also be frozen. So it's a centralized entity.

And, you know, the government can say, or the bank can say, for whatever reason, right or wrong. We're freezing those funds, and that's one of the aspects that people also like and you know, I get you don't want to be carrying the cold storage, but at the same time, there would be ways of, you know, keeping the vast majority in cold storage and also keeping like a smaller amount where you can spend every day I agree with you people are very passionate on both sides even, you know, Bitcoin in the crypto space.

You see a lot of people that are called Bitcoin maximalists, so Maxis, and they basically it's only Bitcoin, nothing else. And I tried to have more of an open mind; yes, I have the strongest code and vision in Bitcoin, but I do hold some Aetherium as well. And I'm not against owning potentially other cryptocurrencies if I find that there is a lot of potential and good value, and I think to me that's how people should really approach, especially the some not they're not all like that, but some Bitcoin maximalist are so intense.

I think they even scare people away from Bitcoin. And I think they make it really intimidating. And I tried to really explain it. I mean, there are other ways to invest in Bitcoin. You don't have to hold that directly. And one of the ways, especially for your listeners, I'm sure most of them have brokerage accounts. So you could look, and you know, just using a brokerage account and Buy a Bitcoin ETF, but if you buy a Bitcoin ETF, do not buy the US Bitcoin ETF because they are futures Bitcoin ETFs and their high fees, and they're meant to be traded not to buy and hold, and there's actually a coin ETFs that are traded in Canada in USD

and those are the ones that I would recommend people buying if they're looking to get exposure to Bitcoin, but are not ready of like, you know, like you they, for example, not ready to have that cold storage and actually like plunging in that's an easy way to get exposure to like some direct exposure to Bitcoin.

DAVE Yeah, I guess you know, another way of thinking kind of along those lines, maybe not direct owning of Bitcoin would be to buy a company like Square, you know, because Jack Dorsey has obviously been a very big proponent of cryptocurrency and Bitcoin, in particular, I guess he would probably be a maxi because he's Bitcoin and nothing else. And there's another Michael sailor; I can't remember the name of his micro strategy. Yeah, they're a big proponent of Bitcoin as well. So I guess that would be a way to indirectly own some bitcoin as well.

SIMON Yeah. Coinbase would be another one, even PayPal; they do have some bitcoin services. And for people to, I forgot to mention you can buy in the US with the Cash App. You can buy bitcoin. Yeah. So I did it for my little cousin who lives in Syracuse; I went to visit them around Thanksgiving. And I was like, okay, you know what, he's actually my godson. So I sent it 50 bucks worth of bitcoin on his cash. Yeah. So just to get in, I like, you know what, I'll just send it at least you have some, whatever happens. But yeah, there are definitely different ways.

There are also Bitcoin mining companies that you can buy; there are some listed in new us. Yeah, there are some lists in the US are some listed in Canada; the only thing is, I'll tell you now, it can be a bit tricky to look at the financials for those businesses because their cash flow statements will probably look all out of whack without going into too much detail. But essentially, what happens is that they'll produce a lot of Bitcoin because they're mining Bitcoin. So they're getting Bitcoin rewards when they complete those mathematical problems I was talking about before, so they get paid in Bitcoin.

But what happens to a lot of them is they don't want to sell it for cash for Fiat; they'll sell whatever they need to pay their expenses. And then they'll add Bitcoin to their balance sheet. So what ends up happening is this weird accounting thing with their cash flow statement, where you see huge negative cash flows, but that's because they kind of transferred from there to their balance sheet.

ANDREW So I'm gonna backpedal us kind of back to where we were starting to go. So this concept of web three, and four, my basic understanding of some of this stuff, I almost see.

And this is part of what makes it so confusing, especially for somebody who doesn't know anything about some of these concepts. So like, I almost see Aetherium as a completely separate thing from Bitcoin. And I almost see it not so much as a cryptocurrency; it helps me to conceptualize it not as a currency but as like computer code or like when I think of the internet or websites, Ethereum is like the next evolution of that. And it's really different from Bitcoin. And so it's too bad that they're kind of grouped together. And that's either, you know, you think you're talking about a theorem, you're talking about Bitcoin.

So can you like explain that web three concept and how that applies to Aetherium? And why the future seems to be moving towards that.

SIMON Yeah, yeah. So that's a great question. I agree with you. I think it's completely different Ethereum and Bitcoin without getting to that whole debate, the web three; the best way to explain it is just starting with web one. So web One easy way to wrap your heads around, especially those who are probably underway below 30.

What do you I feel like we all remember what it was, but it's basically the 99 what the internet was back then; an easy way to think about it is just the read-only internet. So back then you were a lot of just, you

know, publish a page, you'd have your you know, you wanted to create a personal page, or you wanted to just you'd have a new site that would just publish an article, and it was not interactive at all, you would just read it.

One of the things that we're still seeing today, a legacy from web born, is actually what we were talking about that is emails, right. So we still use emails today, while emails actually started back in the day. For those of you who want to get nostalgic, just look up out to VISTA, for example. You know, that's what came before Google and Yahoo won't be sold to Yahoo. But that's basically web one. Web two is what we know today, basically.

So web two is read and write. So you get this environment where you interact with the websites a lot more. This is where the massive centralized companies like Google, Amazon, even Apple, to some extent, Facebook, all these massive companies, they're all web two companies. So yes, they've been great investments if you own them for a while. I mean, good for you, because you've, you've done quite well, but there's a lot of centralization. So it's always owned by a few people.

You use the services oftentimes for free, but you know, they make money another way oftentimes is actually just using your data. So that's the web two portion. And then web three is actually and read, write and own the internet. So instead of having this massive centralized company like Google while you actually own part of the internet. So you still interact with it, there's a lot of interaction, but you can own part of the ecosystem that you're with. So we were talking before recording, you could you know you on something that is play played around. So you play a game that's completely decentralized; it's developed by the community that has stakes in the game. So it's not owned by a specific company.

And you actually get rewards when you play with tokens that you can exchange in real-world currency or use that has a real-world currency value that could you could exchange for US dollars, you could play a game like similar to a World of Warcraft, for example, or I like Diablo two, where the items that you find are actually unique. So they cannot be copied or anything; they're actually unique. And they can have value if you want to exchange them for people and things like that. So that's kind of a good example of web three.

ANDREW So, just to take another example. So let's say we have our favorite social media website we like to use. And so right now, I just use a social media website, and they see my data, and they make money off of me. You're saying web three; there are social media platforms out there where you interact. And as you interact, you kind of earn this token. And part of owning that token means you also own part of the website or wherever this social media app lives.

SIMON Yeah, yeah, you own part of the network. So one that's I know a little bit about, but one of my buddies that I mentioned, he's been into crypto forever. And it's called the bat token. So the basic attention token. So there's a bad browser. So instead of having your Google Chrome where, you know, you get all these ads that are targeted for you, based on your search history, and all that stuff, well, bad, actually, you can opt-in or out of advertisement.

And if you are opt-in, you will actually receive compensation for seeing those advertisements. So that's a good example of a kind of early stages where three, it's life right now. So people can actually like sign up and use it. I've downloaded it. I'm too lazy.

I haven't gotten into it yet. I'll be honest, but it is on something I'd like to try out. So you actually get compensated for looking at ads instead of Google getting all that money, or Facebook, or whoever it is.

ANDREW Yeah. Going back to the game example, then, what makes that some different than the game options we have now?

SIMON Yeah, I mean, one of the differences right now is you don't really have many games, where they're kind of these unique items where, for example, you can never duplicate. So I can't really think of any right now. And for most of these games, I mean, you play you pay, you know, the company, Blizzard, or whoever it is that created the game, whether you pay a subscription, or you paid the price of the game, and then you play the game, these games could very well be free.

And then the community, there are developers in the community as changes are proposed for the game. Because you play it because you have a stake in that network in that game, you can actually vote on these games. So you really have a say on the infrastructure being built behind it. So that's probably the biggest thing. Whereas you know, the centralized version of games, I'm sure they would take people's feedback. But at the end of the day, they don't want to do it. They don't do it. Right. So they have the ultimate control.

The play Darren is something that's really interesting. If you're a gamer, I mean, you can make money out of streaming right now. But it's a way I think there are some I can't remember the name, but I know there's, I think it's decentral and I think you can make some money right now playing that game, for example.

ANDREW So, in theory, decentralized, maybe we can touch on, like the benefits of decentralized platforms, because I kind of talked negatively about that earlier. But there are some obvious benefits to that too. But with a decentralized game, as an example, you, in theory, could have the people who love playing the game the most who also owns a big portion of the revenues from that game because they've collected enough tokens or have invested enough tokens where they have enough say, in the game to be able to like focus on the direction the game goes.

SIMON Yeah, yeah, in theory, you could definitely do that. So the more you play, the more you get tokens and the more you have seen the game itself. There's always an issue, though, that you know, early adopters may be able to get more of a safe and have a bigger say in the game. But again, you still have a say, regardless if it's not a major say compared to The current state where you would have zero, say, unless you're maybe like, you know, the top 0.1% of streamers that gets millions of followers that people listen to that developers will listen to as well. So yeah, that's probably that's a good way. I mean, it's still very new. So I'm still learning about it.

And it's kind of web three and the meta; they're not quite the same people tend to interchange them. The metaverse. First of all, no one really knows what the metaphors will be; you can ask five different people, you'll have five different answers. I think anyone who says what they know, I think they may have an idea, but it may end up being completely different. But web three, it's really that decentralized aspect. Part of the metaverse could be that. And the other part could be something built by Facebook, for example, because they have the resources and the programmers to be able to build that world that Zuckerberg likes to really look awkward.

DAVE It doesn't everywhere.

ANDREW All right, so you have these different decentralized platforms, whether it's a game, whether it's a social media, whether it's some other website. And so they're basically built on a platform like Ethereum. And that's what makes a coin like Ethereum. Attractive because there could be a lot of different things built on top of it.

SIMON Exactly. Yeah. One of the biggest issues with Aetherium right now is the price for transactions, so it can be quite high at times. And that's probably one of the biggest issues, but one of the biggest things that have to go for it. And probably one of the reasons why we may not see a fully decentralized future is the network effect. Right? There's a reason bitcoin is so powerful is because it's been there since 2009.

And I suddenly, you know, the 15,000 computers ruining the Bitcoin program? Well, that's a very powerful network effect—the same thing for Ethereum. The same thing for Facebook, a social media platform is all nice and dandy, but if none of your friends are on that platform, are you really going to go on it? I'm gonna guess most likely not right; you'll probably say, Well, screw it. I know that collecting my data. But all my friends are there.

ANDREW Those are some really good points. So how do we tie this all up? What's the practical implication for people who are looking to as investments or just to dabble? Like, what's your take on that?

SIMON Yeah, my take is, I think it's definitely a mistake for not adding at least a little bit of Bitcoin, you know, even if it's like I mentioned before, 0.5% doesn't matter, at least a little bit. So you kind of counterbalance your portfolio; it just gives you some diversification. And so that's probably the way I see it is just, you know, just invest what you're comfortable, but I'm well-diversified, too, right, I have about 15% of my portfolio in Bitcoin, and about like, seven 8% In Aetherium. So and that's my old portfolio. So it's a pretty good amount.

But I also have, you know, a lot of index funds; I also have some very solid companies in my portfolio. So even if there's a lot of volatility, I don't really get fazed by it. So that would be my best advice to people is just invest what you're comfortable with. And honestly, I'm, you know, if you're not ready to invest in Bitcoin, that's fine as well, right?

You can still stay on the sidelines, we're still very early, but that's the one I would recommend if people want to get started. And then you can start learning on these other platforms, these other cryptocurrencies, and then potentially invest in those as you learn more, but definitely, I think bitcoins are a good starting point for anyone.

DAVE Yeah, thank you. That was a very good measured take and very rational, not so I guess crazy like sometimes it can be when people have conversations about Bitcoin. And I appreciate, you know, kind of the level-headedness of the way that you're presenting the ideas around Bitcoin and blockchain and some of the things that we talked about today. One of the things that have turned me off about it has been the, I guess, the maxi viewpoint of people, and I just struggle with it ever becoming a currency.

And, you know, that may or may not ever happen, who knows. But that's one of the things that's kind of I personally struggle with, you know, I'm older side of the curve than the two of you. So, you know, I have a different viewpoint. But I think the things that you brought up tonight were very well thought out, and I appreciate you taking the time to talk to us tonight. See, oh, no, it was a very interesting conversation. And I know I learned a ton a lot of things that I didn't wasn't aware of; again, I got exposed to it on Twitter. And you know, that is the wild, wild west. And I kind of feel like that maybe the crypto world is kind of the wild, wild west. And we're still in the early beginnings of all this.

SIMON Well, it is. I totally agree with you. It's not very regulated right now. So and that's a really good point. No, yeah, exactly. And governments have their eye on it. That's something to keep in mind. But I totally agree with you on that. Something I didn't really mention but regulation will probably be coming and

changing in the coming years. And that's something to keep an eye on where you have equities and stocks where you have a pretty good idea where the regulation is or could potentially be going. Sure it can change.

But that's definitely ever-changing. But yeah, I tried to make it as simple as I could. I know some of the concepts. Were a bit harder to explain because you get into, like, a lot of more complicated concepts, but hopefully, yeah, you know, I made it a bit easier.

And you know, you can always DM me on Twitter if you have some questions.

DAVE Very good. All right. Well, without any further ado, thanks again, Simon, for coming on and talking to us today. You can find him. He's the co-host of the Canadian investor, one of my favorite podcasts. It is a fantastic show. I am not just saying that because I like these guys. It really is a great show. So please download it listen to it. It's worth your time.

So without any further ado, I'll go ahead and sign us off; you guys go out there and invest with a margin of safety. Emphasis on the safety. Have a great week. We'll talk to you all next week.

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