All Your Frequently Asked Questions

ANSWERED!

If you have many questions about NFTs and are still confused about this new market, this report answers all the most frequently-asked-questions.

What is an NFT?

NFTs are a file type, just like the way we have jpeg files or PDF files. NFTs are unique digital assets that reside on the blockchain so that ownership of that digital file can be tracked. There aremany types of NFTs, including artwork, collectable items, media, music, video game items, memes, sports moments, real-world assets and domain names. The blockchain keeps a record of all the transactions connected to the NFT. Most NFTs are held on the Ethereum blockchain.

Why would I want to own an NFT?

At first, NFTs might be perceived as just pixelated images on the internet. But they are not. In fact, they could potentially disrupt a lot of industries. There are many reasons why people should consider investing in NFTs. First, because many influential people in the business and investing world are endorsing them, including Mark Cuban and Kevin O'Leary, which means they're seeing a potential opportunity in them. Furthermore, governments and major brands have begun to embrace NFTs, which bodes well for future mass adoption.

Another reason to consider investing in NFTs is because they are projected to become a \$139 trillion market, compared to the US stock market, which is a \$48 trillion market and the entire crypto-currency market, which is a \$2.7 trillion market.

And NFTs could potentially solve the big issue around fake memorabilia and fake art, as well as help cut out middlemen in many business and investing transactions.

Plus, NFTs play a big role in the next iteration of the internet: Web 3.0.

How do you buy an NFT?

First, you will need some cryptocurrency, mainly Ethereum because most NFTs are purchased with Ethereum. You can purchase ETH on dedicated platforms, like Binance.

On the Binance site, for example, you can simply go to "Buy Crypto" and then select how you wish to pay for your purchase. Type in the amount you wish to spend and the currency, and then select ETH in the "Receive" section. Make sure you don't have just enough ETH to purchase your NFT.

You'll need to have a little more available to cover the gas fees. Gas fees can vary from day to day and based on the NFT you're purchasing, so make sure you have enough Ethereum to cover these gas fees.

You will also need to install the MetaMask Chrome extension. This will act as your wallet for purchasing your NFT. Once your MetaMask Chrome extension has been installed, you will see the extension appear on the top right-hand corner of the browser. The logo is a picture of a fox. Then, you can buy NFTs directly from the creator's official website or on an NFT marketplace, such as OpenSea.io.

What impacts the value of an NFT?

There are many elements that impact the value of an NFT. First is the rarity of an NFT.

The fewer NFTs are available under a collection (for example, 10,000 NFTs or fewer under a collection), the rarer it is considered. Sometimes, there is only one single NFT of its kind, which can also affect its price.

Another factor that impacts the value of an NFT is its creator. If the creator has a lot of influence or is a celebrity, their status will very likely drive the price of the NFT higher.

Lastly, utility impacts the value of an NFT. In other words, an NFT that gives the holder access to something special, such as a special membership, a physical product, access to an event, the opportunity to monetise the NFT while holding it, discount codes, etc., can be more expensive than an NFT that doesn't unlock other benefits.

Where are NFTs stored?

NFTs are stored on the blockchain. The smart contract address pointing to the location of the NFT on the blockchain is received after an NFT is purchased and kept in a digital wallet. The contents of the NFT's smart contract are stored on the web through a file-sharing system.

What's the connection between NFTs and cryptocurrency?

NFTs aren't cryptocurrencies, but they are built using the same technology as cryptocurrencies. In order to purchase NFTs, you need to use cryptocurrencies, such as Ethereum and Solana.



How do I know I'm not buying a fake NFT?

There are many fake NFTs around, so it's important to know how to identify a fake one. First, if an NFT is significantly cheaper than the NFTs under that collection, it's a red flag. Also, never buy an NFT from a link you've come across on social media or through a pop-up or direct message. To buy an authentic NFT, go to the creator's official website or official social media profile. And when you do, make sure their social media profile is their real one.

For further verification, go to OpenSea.io or any other NFT marketplace and check the number of buyers and transactions for that NFT collection. You can also go to Etherscan to check all the transactions associated with that NFT by entering its hash. When you do, you'll have access to the NFT's metadata, which will allow you to identify any red flags.

Can't you just take a screenshot of an NFT?

Yes, anyone can take a screenshot of an NFT, but the NFT itself is on the blockchain and cannot be copied. Only the owner of the NFT has it in their digital wallet, and only the owner of the NFT can sell it. The best way to protect NFTs from being copied is by minting them. Minting an NFT is the process of tokenising your asset.

When you do, you have to pay gas fees, which record the transaction on the blockchain.

How do you sell an NFT at a profit?

If you have bought an NFT and wish to resell it at a profit, you will need to monitor the floor price of the NFT collection it belongs to. You can monitor the floor price of an NFT collection on NFT marketplaces like OpenSea.io. When the floor price of your NFT reaches the price you wish to sell it for, simply access your OpenSea profile, click on the NFT you wish to sell, click on "Sell", and follow the prompts to list your asset for sale.

How do you prove you own an NFT?

Proving you own an NFT is similar to the process of proving you own a cryptocurrency. When you purchase an NFT and the ownership of the unique token is transferred to your digital wallet via your public address, the token proves that you own the original copy of the digital asset. An NFT is essentially a token that proves you are the legitimate owner, the same way a receipt does.



When should you sell an NFT?

The best time to sell an NFT you own depends on many things. It depends on your own exit strategy and the price you purchased it for. Like any investment, the value of NFTs can fluctuate, so it's important to avoid selling your digital assets out of panic or fear when prices drop. Ideally, sell your NFT when you have recouped your initial investment from the rewards received or when its floor price is above the price you've purchased it for.