Bitcoin Halving

Lesson 4

Disruptions with Cryptocurrency:

On August 13, 2012, when I transitioned from prison to a halfway house, the world had begun to accelerate through another disruptive change with technology. People were becoming more familiar with cryptocurrency. Unfortunately, I was too ignorant about technology when I got out of prison to appreciate the opportunities.

Let's put the lost opportunities into perspective, using the example of Bitcoin. During the month of August, 2012, when I transitioned from prison to a halfway house, the highest price of a Bitcoin was $13.50 per coin. If a person purchased $1,000 worth of Bitcoin in August of 2012, he would have accumulated 74 Bitcoins. At today's prices for Bitcoin, that $1,000 investment in 2012 would be worth more than $3.5 million.

Bitcoin enthusiasts anticipate that the value of Bitcoin will continue to be volatile, but over time, the price will rise. Some people speculate that scarcity and other factors will result in Bitcoin exceeding $1 million in value over time.

Based on what I'm learning from creating this course and the lessons I'm learning from Ryan, I'm moving forward with a plan to build my cryptocurrency holdings. Fortune favors those who learn how to take advantage of changing markets. Of course, I understand the risks of any investment.

When I got out of prison, however, in August 2012, I didn't understand how to take advantage of opportunities with cryptocurrency. Today, we're in a different era with cryptocurrency, but still very early.

In early 2024, the Securities and Exchange Commission (SEC) took significant steps to advance Bitcoin's status as a viable investment-grade product. The agency approved the listing and trading of several "spot Bitcoin exchange-traded funds (ETFs)."

Prior to that decision by the SEC, depending upon the year, people who wanted to speculate or invest with Bitcoin had to invest time and energy to learn. At the start, in 2009, they would have had to become familiar with technology and learn how to "mine" Bitcoin by using computers to "prove" transactions. In exchange for proving transactions, the network would reward miners with Bitcoins.

Between 2009 and 2012, miners received 50 Bitcoins in exchange for mining a block of Bitcoin.

Approximately every four years, after every 210,000 blocks, the reward was cut in half. The first halving took place on November 28, 2012. At that point, the block reward was reduced from 50 Bitcoins to 25 Bitcoins. The second halving took place on July 9, 2016. It reduced the reward from 25 Bitcoins to 12.5 Bitcoins. The third halving took place on May 11, 2020, reducing the reward from 12.5 Bitcoins to 6.25 Bitcoins.

Media reports projected that the fourth halving would take place on April 17, 2024, which would reduce the Bitcoin reward for miners to 3.125.

The halving process was designed to mimic the rate at which miners for commodities like gold earned–over time. Since the blockchain only allowed for a finite quantity of Bitcoins, mining would become more difficult over time. The total supply of Bitcoins would eventually reach 21 million, but the total number wouldn't reach the market until 2140.

In 2024, miners received and introduced approximately 19 million Bitcoins into the market. Each day, miners succeed in releasing approximately 900 Bitcoins. After the next halving, that number will drop to 450 Bitcoins–making them even more scares as demand increases.

The halving events, together with the finite supply of 21 million Bitcoins, were two reasons why speculators believed that Bitcoin would continue to increase in value. On the first halving date, in 2012 the price of Bitcoin was around $13 a Bitcoin. On the second halving date, in 2016, the price of Bitcoin was around $650 per Bitcoin. On the third halving date, in 2020, the price of Bitcoin was around $8,600 per Bitcoin. When I began accumulating my Bitcoin stake, the market valued each coin at approximately $43,000.

Although no one can predict the future, and Bitcoin has been an extremely volatile asset class, explosive growth has followed each halving event, as evidenced by the amount I paid to begin accumulating Bitcoin in 2024.

In 2011, and Bitcoin became more popular, ancillary businesses began to spring up, including exchanges, such as Coinbase, which made it easier to buy and store Bitcoin as an asset class, or store of value.

Even today, many people have a hard time comprehending the value of cryptocurrency, especially since Bitcoin is not a tangible asset, like a gold coin. Some people refer to it as a digital currency, or digital gold, existing on a decentralized, digital ledger.

The concept of halving, or proof of work (PoW), took too much energy for some people to understand–particularly those who could not move beyond the concept of fiat currency.

Fiat currency is the opposite of Bitcoin.

Think of the US dollar, or the Japanese Yen, or the Euro as examples of fiat currency. Instead of being on a decentralized network, central authority figures, such as the Federal Reserve, or the US government controlled the value of such currency.

When the SEC approved spot Bitcoin exchange-traded products, it took a significant step in legitimizing Bitcoin as an investment-grade asset class. Prominent investment groups such as Blackrock, Fidelity Investments, and ARK could offer investors exposure to Bitcoin through exchange-traded funds. Those investment funds would allow people to invest in Bitcoin without the need to learn about Satoshi's white paper, about halvings, or about nuances of decentralized networks. They could purchase shares in an ETF in the same way that could purchase stock.

The new more sophisticated investment vehicles opened opportunities for pension funds, insurance companies, and retirement accounts to build exposure to Bitcoin through derivative products like ETFs, or baskets that included different types of exposure to Bitcoin. Those funds would rise or fall in value, coinciding with the price of Bitcoin. They could allocate a percentage of funds to cryptocurrency, just as they might allocate a percentage of funds to biotech, aviation, or manufacturing sectors.

Rather than figuring out how to get exposure to the new asset class, investors could purchase shares in the new electronic-traded funds (ETF) through their regular stockbrokers. The SEC brought government regulation, which began to build more widespread acceptance of Bitcoin as an asset class.

Unfortunately, people in prison have limited access to knowledge of this innovative new asset class. Through these lessons, I'm passing along all that I'm learning from Ryan about cryptocurrencies with hopes of helping more people prepare for success upon release. The more people learn, the more options they will have to become successful upon release.

In the next lessons, I'll offer more insight into a historical overview, and provide a glossary of basic terms to understand.

Investment:

As in the previous lesson, I'll continue to show how I'm using my growing knowledge of cryptocurrency to make it a part of my long-term investment strategy. After making my first two purchases, I continued to dollar-cost average my way into the next purchase. I set a goal of putting between 5 and 10 percent of my total net worth into Bitcoin or other cryptocurrencies, but I intended to make the buys gradually.

On February 2, 2024, at 7:40 am, I saw that the price of Bitcoin had dropped to $43,567.68. I considered it an opportunity to complete the purchase of my first full Bitcoin. I purchased .55464825 BTC for a total cost of $24,708.45, inclusive of the higher Coinbase fee of $543.71.

- Total investment in BTC at end of day, February 2, 2024: $44,708.45
- Total holdings: 1 BTC
- Total value: $43,567.68
- Gain or Loss: -$1,140.77

In lessons to follow, I'll continue offering insight into the cryptocurrency purchases I'm making, and showing the reasons why. As the records above show, since beginning my investment strategy, on January 31, 2024, the value of my investment has dropped in value. But I'm learning a new term about Bitcoin. It's called "HODL."

From my understanding, the term HODL was a misspelling of "hold" that has become a popular slogan in the cryptocurrency community. It originated from a post on a Bitcoin forum in 2013, where a user wrote "I am HODLING" in a thread during a time of significant volatility in the Bitcoin market. The rationale behind the HODL strategy is the belief that, despite high volatility, cryptocurrencies like Bitcoin will increase significantly over the long term.

Disclaimer:

For full transparency, I am not an investment advisor. Our nonprofit, Prison Professors, offers these lessons for the singular purpose of helping people learn more about the digital economy. I provide information on my personal investments to show that even a person who served 26 years can participate in the digital economy. I am an investor and a speculator, understanding the risks. No one should invest in any asset class without a strategy and a plan, as shown through our introductory course: Preparing for Success after Prison. Always develop an understanding of investment risks—especially with cryptocurrency.

Critical Thinking Questions:

If you're willing to participate in our advocacy efforts for reforms that will allow people to work toward earning freedom, please provide your responses to the following questions:

1. What thoughts do you have about putting a percentage of total assets into a specific type of asset class, like Bitcoin?
2. In what ways would a finite supply of 21 million Bitcoin influence the price over time, in your opinion?

3. What influences do you anticipate government regulation, such SEC approval, have on the demand for Bitcoin in the future?

Advocacy Initiative:

Please share your story and responses through the manner that works best for you:

1. Send through email to Interns@PrisonProfessorsTalent.com
   Subject line: Digital Economy Course

2. Send through regular mail:
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