Brad Costanzo: With great power comes great responsibility. This gives you great power to walk across a country butt naked with nothing but your phrase in your head and take all of your wealth with you.

Michael Koenigs: Hey, this is Mike Koenigs. Welcome to another episode of Capability Amplifier. This is my friend, Brad Costanzo.

Brad Costanzo: How are you doing, everybody?

Michael Koenigs: All right. So let me give you a little pre-frame on this. This is something I've been planning on for a long time. Brad Costanzo is an incredibly brilliant trader, marketer, much, much more than that. He actually has a podcast called Bacon Wrapped Business. Shameless plug for Brad. But today we're going to be talking about crypto and some of the stuff that we're going to be covering include what to buy. We're going to talk about our portfolios. We're going to talk a little bit about altcoins, how to buy it, also, where to store it so it doesn't get stolen or ripped off.

We're going to get into a couple other kind of advanced things, including staking. We're going to talk a little bit about taxes. But we're also going to talk about some of the weird stuff that's been going on worldwide, like with Switzerland and Russia, the Ukrainian thing, and how Switzerland screwed their brand for life because of some of the shenanigans they've pulled. They've devalued themselves and their trust. You're wondering, "What does that have to do with crypto?" Everything. Because anyone who knows me knows I'm very bullish on crypto. But it's also a big Ponzi scheme in a lot of ways. There's a lot of bad actors in it. So we're going to sift and sort between all that.

So without further ado, Brad Costanzo, great to be with you, my friend.

Brad Costanzo: It's great to be here. Mike, I've always been a fan of this studio. It's amazing. It's great to be on the side of it.

Michael Koenigs: It is. It's always fun. This gave us a really good reason, because we did a lot of prep today. And one of the things that I'm super excited to do is you have figured out a strategy after obsessing for thousands of hours on how to predict the markets. And do you want to wet everyone's whistle on that before we get into the meat?

Brad Costanzo: Yeah, I'm happy to. So it's funny you mentioned, I've got a podcast as well. And my journey in crypto actually started with me interviewing somebody else who became a big mentor of mine. And then through that time and as I started to understand the basics and then I started to see the light, I started to just dig and dig and dig and try to figure it out. And there's so much out there that the strategies that work for me and that we're going to talk about include simple indicators, simple things that none of us need a whole new job. None of us really want to be professional full-time traders myself too.

But I've got a handful of indicators that I use that not only show me when to get in, but give me the danger, the red flags like, "Hey, this is getting really toppy. This is time to get out." And I personally, I consider myself much more of an investor than a trader. I'm not buying and selling all day long, because that's too complex. I like to keep it simple and protect my downside. So that's some of the things I really want to kind of cover today.

Michael Koenigs: Okay, great. Also, I think what I want to do is give everyone the opportunity. Because this is a very visual episode, there's two things you want to do. One of them is the video version of this is at capabilityamplifier.com/crypto1, the number one. And the other thing is there's a place and this will make a lot of sense in a moment. Actually, I'm going to just pre-frame this. We are about to do a mastermind in Guadalupe Valley with a bunch of business owners, clients, et cetera, friends. And we're going to be teaching this stuff and what this is also serving as a little bit of a pre-training for people in at the mastermind.

So one of the things that we're going to offer and we'll talk about this a little bit later on is you've put together a really good step-by-step book that provides a background, a basis for crypto, Bitcoin. And I also will put a transcript of the show there. So there's two ways to get it. I'll display this on a lower third, also embed it in show notes, and tell you it throughout the program, which is if you go to paidforlife.com/mastermind, you can get it all there. And then you can also text the word crypto, C-R-Y-P-T-O to 855-955-3958.

So without further ado, let's just start with some of the basics, which are what our holdings are right now? Before we get into the why we think crypto's worth investing in the first place, so why don't you go through some of the coins that you're currently holding, because we looked at your portfolio and for ... So everyone knows, you're in the seven figure area and have had earnings above seven figures as well. So you're not just dabbling around. I'm in this several hundred thousand range. I'm not in the seven figures, only because I'm taking my time to learn.

But do you want to kind of go through in order of priority what your holdings are, what you've been investing in, and why those? Let's begin there and then we'll talk about how to get it, how to protect it. That'll be kind of our next step.

Brad Costanzo: Yeah. We'll kind of rewind the fundamentals because I think the reason that I have as much as I do now, and I didn't just say, "Hey, I got this, I'm going to throw a whole bunch of money in there." It was little by little, the more I understood it, the more confident I got, the more money. And then the more confident I got, the more results. And it just became this slow stack on. My holdings, I consider myself a conservative investor because capital preservation to me is more important than just head-xing everything. Especially once you have some money, you don't want to lose it.

Michael Koenigs: Yeah. Pain of loss is very, very real. I agree completely.

Brad Costanzo: Yep. So I would say without ... I'm not looking at my exact portfolio breakdown, the majority of my portfolio probably I would say 60, at least 60% to 70% is Bitcoin and Ethereum. Right.

Michael Koenigs: And what approximately is the split between those two?

Brad Costanzo: When it started off, I was just going 50-50 when I was initially putting in. Ethereum ran up more than Bitcoin did in the past couple of years that I've been doing this.

Michael Koenigs: Yeah, mine did too.

Brad Costanzo: Yeah. So I want to say that of that 60% or 70%, Ethereum's probably 60%, and then 40% of that would probably be Bitcoin. That being said, we are in, what is this, March of 2022? We are in the middle of a prolonged pullback. And I've been averaging in with Bitcoin and that's what I've been buying during this downturn.

That being said, I like to take about 70% to 80% of my portfolio in the blue chip, biggest of the big. I can sleep at night. Then with the other 20% to 30% of my portfolio, I own blue chip coins, such as Luna, Avalanche, Solana, Chainlink, Cardano, Binance, Tezos, Polkadot. There's a handful of other ones such as Polygon, Fantom. And these are the ones that allow me to realize I'm not taking mega risks on absolutely tiny. Most of these will not have 100X gains, but I reserve about 5% to 10% of my portfolio, what I call play money, because it is fun. You can have face ripping gains that are in the market. You can have face ripping losses too.

So I try to keep a very ... Bitcoin and Ether are my anchors. The other ones are middle of the road. And then there are the degenerate coins just for fun.

Michael Koenigs: And just for everyone who, what are degenerate coins?

Brad Costanzo: Degenerate coins, these are the ones that kind of come out of nowhere. I even think of like Shiba, S-H-I-B-A is the thing. It's a meme coin. There's no real use case, but it's got tremendous community behind it. And it's got the ability to triple in a day, for instance. Those are kind of degenerate coins. And there's a lot of worse ones out there like that just pop up here and there. I may throw a few hundred dollars in some of these coins. Not because it'll change my life, but because I want to see a couple hundred turn into a few thousand sometimes in a week or to turn to zero. If it goes to zero, I'm not losing that much. If it turns that, it's kind of like I get my dopamine pings.

Michael Koenigs: Got it. All right. So my portfolio is overall a lot like yours. Bitcoin is my main holder. Ethereum secondary. And sometimes they alternate a little bit. That's because I'm doing bot training, which I'm actually going to talk about. And in our training, we're actually going to do that. And then there's Solana, MATIC, which is a currency that the use case ... Well, first of all, do you know much about MATIC? Have you studied it?

Brad Costanzo: Yeah.

Michael Koenigs: Why don't you just describe what it is because I don't think I'll do as good of a job as you?

Brad Costanzo: So they call it a layer two solution. So one of the things that really helps do is the scaling problems of Ethereum and ...

Michael Koenigs: Which is namely, when you use Ethereum, you have to pay money to transfer, sort of like your transfer fees in a bank.

Brad Costanzo: Right. They call them gas fees.

Michael Koenigs: Right. And when you transfer, it can be fairly high. It can be even more than credit card processing. It's ridiculous.

Brad Costanzo: Painfully high.

Michael Koenigs: Yeah. So this reduces it, also speeds up because there is because of the nature of blockchain, when you transfer a coin, all of the devices on the network get in sync with each of other. And it's sort of like the ledgers of who owns what and where it is gets updated on all the machines. And that way it proves ownership, right? That's part of the beauty of this.

But it's also expensive in terms of energy costs and network costs. And that's how people, one of the ways you earn on the blockchain is by charging fees so it gets distributed. But at least that's the really basic way of thinking about it. But the bottom line is MATIC is a better way of doing that.

And then the other one is Avalanche. You want to tell people a little bit about what Avalanche is and I'll tell you why this is important?

Brad Costanzo: Yeah. So Avalanche it's also a very similar to MATIC in a lot of ways, but it's more of a competitor if you would, to something like Ethereum. For folks who don't really know what Ethereum is at the most fundamental level, it is a platform which you can build all types of decentralized applications with a lot of capabilities and it's a blockchain of its own.

So as you mentioned, Ethereum gets really, it's really popular. That's why it's really expensive. So things like Avalanche, they come in, Solana is very similar, and they create a chain that's got different features, but it does the same stuff. You can write smart contracts on there. You can do a lot. But it's blazingly fast and a lot of applications are built on there. And lot of these other chains were built up because the average person really can't afford to do a lot on Ethereum because of the gas fees.

One of the things I do when I'm buying Avalanche and Solana and Polygon and a lot of these other ones, I don't know what's going to win. So I'm putting a little bit in each. I don't know if any of them are honestly going to win. They may all go to zero. But I'm diversifying out just in case. A lot of them, and honestly, I'm not geeky enough to know, or maybe I should say smart enough to know the deep down differences, but enough to say I see a trend and I'm going to play in this trend.

Michael Koenigs: So I'm going to de-nerd that a little bit. What ultimately this is all about as an investor is, imagine you're buying into, if there were four Amazon competitors early on and they all have a mechanism for storing or warehousing products, buying and selling on a storefront, advertising, marketing, brand building. And that's really what these utility tokens are. Ethereum is sort of like a master. It's like buying steel that built into it has an accounting department, a legal department, shipping department, and a mechanism so you could build any business and do what you want. And there's competitors right now. That's what all these ultimately are.

And the beauty of crypto is the fact that you can build apps on top of them and also build in contracts, what are called smart contracts that essentially say, when you do this, I'll do this and you'll be paid. So it eliminates the need for attorneys.

Brad Costanzo: Trusted third parties.

Michael Koenigs: Yes.

Brad Costanzo: That's why they call it like trustless networks. You don't need a human being. And in the crypto and blockchain world, there's something called like the crypto trilemma. So this is like a dilemma, but it's a trilemma, and it really comes around three features. So any blockchain, Bitcoin included, you can have decentralization, scalability, and security. Those are the three most important things. This is kind of like, if in the world of pricing services, I've heard them say you can have speed, quality, or price, pick two.

Michael Koenigs: Yeah.

Brad Costanzo: You can have it done quickly and expensively, but it's, I don't know, maybe it's going to be low quality. But with this, with a blockchain, you can have it highly decentralized, you can have it highly secure, but it's not as scalable. That's the trilema with Bitcoin. So Bitcoin is you cannot do thousands of transactions a second, like this, et cetera, but it's the most decentralized. It's the most secure.

There are other layer two and other layer solutions that help Bitcoin become more scalable by itself. It's not. Ethereum has security and decentralization, but the scalability is also an issue because it's so popular that although it scales, it gets really expensive to scale.

Michael Koenigs: Bottom line is it's slow and expensive to use.

Brad Costanzo: Right.

Michael Koenigs: It's like having a truck with five miles per gallon instead of the faster ones like Polygon and what MATIC provide and are ultimately in a way kind of compatible but different.

Brad Costanzo: Exactly. So MATIC comes in to try to be, to help the scalability problem of Ethereum and say, "Okay, we're decentralized, we're secure, and we're more scalable." And then sites like Avalanche and Solana and Fantom, and a lot of these other layer one block Ethereum competitors, they have tremendous scalability, they have some decentralization and some security. Decentralization and security are very, very related, but they're trying to, everybody's trying to fill the gaps in the market. And right now the biggest gap in the market is how can we make this more scalable? How can we process more transactions so that we can onboard more traditional, small retail investors into this world of crypto and start to play? Because if you're just playing with Ethereum, you're going to go broke on gas fees.

I mean, you do a simple transaction on Ethereum right now, it might cost as much as a fancy dinner with your wife. So you better be spending thousands of dollars if you're trying to play with hundreds of dollars or even just a couple thousand, you don't really want to play with.

Michael Koenigs: Yeah. You can pay 10% on a simple transaction.

Brad Costanzo: Absolutely.

Michael Koenigs: That's the issue right now. So I'm going to just wrap up what you're saying and we're going to get into the meaty stuff, but the way to think about it is right now, there's a lot of competition. There's a lot of movement going on. Everyone's solving the problems of how can we effectively replace traditional banking so it's faster, it has more trust, there's less inefficiency. How do we effectively replace Visa and MasterCard, which are notorious. I mean, I've told a story many times of how I one time had $800,000 stolen from me by my merchant provider, because they didn't trust the industry we were in which at the time was information marketing and selling stuff online. Boom. And they said, "Yep. You're high risk." And I'm like, "When am I going to get my money back?" And they're like, "Whenever we decide to, and remember that 20-page contract, it was six point font that you signed." Basically we can screw any way we want.

So that's the beauty of crypto is what is inevitable is more and more people will trust this for some reasons we're going to get into, but let's get into the meaty bits right now, which are going back to what to buy. We went through our lists. Now how to buy it. I use Coinbase and Coinbase Pro simply because they're easy, they're app-based, could simply download them, and then you can buy your crypto. They don't charge big fees. There's some better ones, and I know you use some other ones. I want you to talk about those.

Brad Costanzo: I honestly use, I use Coinbase for a lot of onramping because it's easy. I've used, I've dabbled in the other ones, but it just interfaces with my bank. I buy it there. Sometimes I'll buy a stablecoin. Audience isn't familiar. A stablecoin is just a crypto coin pegged to the US dollar. So it doesn't really, you know-

Michael Koenigs: Which is USDT and USDC and Tezos, which are ...

Brad Costanzo: Yeah. Well, I tell you, Tezos is not, it's not a stablecoin. Although the price is acted like a stablecoin lately. That being said, sometimes what I'll do is I'll take that money. I'll just put cash into a stablecoin on Coinbase, and then I'll send it somewhere else, like a decentralized exchange, which is where you can buy other coins and there's a lot less regulation, et cetera. And I'll buy them there. But yeah, for the most part, Coinbase has been good.

Michael Koenigs: Yep. So I will compare this to, it's kind of like Forex. You can buy foreign exchanges online. It'd be like, if you wanted to buy some rupees, for example, or whatever, you'd basically be able to buy foreign exchange. And this is just a means of enabling that.

So for the folks who are coming to the mastermind, one of the things I will tell you I think you should do, get on Coinbase, if you don't have crypto already, buy as much Bitcoin and Ethereum as you feel comfortable. And if we gave them an another altcoin or two, what would you suggest? I would probably say MATIC and Solana.

Brad Costanzo: The one that I have been in now, as far as altcoins go for a while and I absolutely love it is Luna and the entire Luna ecosystem. It's ...

Michael Koenigs: And why is that? Why don't you give a mini commercial on Luna?

Brad Costanzo: Man, it's got one of the most fascinating ecosystems. And of the things it's tied to is also another stablecoin. So Luna is like a moon, right? Like that's what we call a moon. And then there is another stablecoin called UST. Technically they call that Terra. So you think of the earth and the moon. So when the moon revolve, and this will be a point I make in a second, the moon revolves around the earth and stabilizes the earth's access. It's a stabilizing mechanism. Ultimately, if we didn't have the moon, we'd probably have a crazy wobbly earth.

And the way that the Luna or the Terra ecosystem works is that its foundation is the UST stablecoin. So it's a stablecoin pegged to the dollar, but it's not pegged by a basket of assets. It's not backed by anything. It's backed by an algorithm that works with Luna.

The reason that this is so important is because if the peg of the UST stablecoin goes above the dollar or below it, it creates an arbitrage opportunity for market players to either buy or sell Luna in order to create this stability, like to stabilize the rotation. Now, and once more without going too, too deep down this rabbit hole, the more people who want to buy Luna, I'm sorry, to buy the stablecoin UST, every time you create a UST stablecoin technically by buying it, it burns Luna supply out of the market. So it reduces the supply. Now, if you're reducing its supply-

Michael Koenigs: It's like inflation control.

Brad Costanzo: Yes. When you reduce supply, typically the price of something will go up. And what we see is a really good correlation of the more people who want to get into this UST stablecoin for multiple reasons, such is a 19.5% yield on a coin with no price volatility, which is one of the most exciting things that I do, the more people that want that, the more Luna should go up. And we have seen one of the most amazing charts here just in the past week of what Luna's doing, and it's one of the best performing-

Michael Koenigs: Do you have it up just in case, or ... ?

Brad Costanzo: I ...

Michael Koenigs: Yeah. It's okay if you don't.

Brad Costanzo: I do.

Michael Koenigs: Do you? Okay. Give me a sec here. Let me switch to it. There it is. Okay.

Brad Costanzo: Okay. So I'm going to go-

Michael Koenigs: Why don't you describe what you're looking at here.

Brad Costanzo: So this is my trading view account here, and I'm looking at ... I'm actually going to make this a little easier for folks to read and don't know candles. I'm going to make a line chart. So if you look at this, this is really impressive, right? Well, what's the time period? So this is almost a year ago, January of 20 ... What? Let's just go back to March of 2021 right here, which is about when I discovered it. So let's go basically March 1st, it was trading at $5. By the way, two months before that, it was trading at 50 cents. Well, let's just take it from $5 to where it is today. It's up 1500%.

Michael Koenigs: Wow.

Brad Costanzo: Just in that period of time. However, if you went back to January of '21, and we go, let me just see if I can do this. Why is my thing not working? Here we go.

Michael Koenigs: And just for anyone who's listening to us right now, Brad is zooming in on a chart and showing us basically the direction of Luna, and then you're going to do some magic nerd stuff.

Brad Costanzo: So it hit all time high just here recently around $100. So if you look at January 2021 to really March 2022, I don't know if you can see that, but it's up 10,428% in 417 days.

Michael Koenigs: Yeah.

Brad Costanzo: Now that's over time, but let's look at what's just happened here recently. And this happened for multiple reasons in the market that I was paying close attention to. So the last high was December 26th and it came down from there down to its low, dropped 54%. I mean the whole market went down about 50%.

Michael Koenigs: Yeah.

Brad Costanzo: That's really scary. But if you look at what just happened here, on February 21st, till well, a couple of days ago, it was up 100% in 17 days. Today's price, it's up 81% in less than three weeks. And this is when the market has just been sputtering around.

And there's a couple reasons for this. One of them, and we're going to dive into, I think, through the weaponization of money. People are realizing that their money is not safe. Stablecoins are also going to be highly regulated by the federal government, especially because they're backed by US dollar assets. UST stablecoin is not. So they have no jurisdiction over that.

So if people want to have unconfiscatable stablecoins that are just pegged to the US dollar that cannot be confiscated, you're starting to see a lot of demand for UST here. That's one piece.

And then another little piece of news behind the scenes is that they raised over a billion dollars in Bitcoin to be a backstop. So just in case anything happens with the peg starts to move and they need to immediately arbitrage and back it up, they bought a billion dollars worth of Bitcoin, which is not correlated in order to provide safety and security. And people are seeing that and they're rewarding the price.

So I love the ... and I am scratching the surface of why I like the Terra ecosystem so, so much. Personally that's when I watch really, really closely at this exact moment, it just had a 80% run up in three weeks. I'm might wait for it to pull back, but I'd be paying very close attention because I have a very high price target for this.

Michael Koenigs: Okay. I think I've been trading it with my bots and it's actually done pretty well, but let's go into two key things here. We talked about what to get and what to buy with, which is again, Coinbase Pro's the easiest way. You enter in your bank account information, you click transfer. And once you do, what's known as KYC, know your customer, where you provide information about you, that they basically say, now we know you're a real person, et cetera, they will let you transfer. My case my account lets me transfer up to $250,000 at a time, and I can use it immediately, even before the money shows up. The only thing is I can't trade it out of Coinbase. Okay. So that's one of the nice things about it.

Now we're going to talk about protecting yourself. And this is super important. So again, if you're coming to the mastermind, one of the things I would recommend you do is download something called Exodus Wallet.

I'm going to show you on my screen here. This is the wallet. And you can download it on your Android or your iPhone. And basically what it lets you do, and I'm going to explain why this is so important. You can transfer all of your holdings in your, let's say from your Coinbase account into this wallet. Why is this important? Well, let me to give you an example. The weaponization of money.

When Russia invaded Ukraine, which is evil, and the world effectively canceled Russia and destroyed its economy, something unprecedented happen. And I'll preframe this by saying, I think Switzerland is evil and has done evil things for a long time. They've created safe harbor for criminals to hide stolen money, like the Nazis. They took stolen Jewish money and they gave safe harbor and they've been neutral. Okay? So they're bad for doing that. They've done a lot of evil things and you could definitely say they've done a lot more evil things.

However, they screwed their brand for life because what they did, they caved into outside political pressure after being neutral and said, "Oh, we're going to allow governments to confiscate Russian oligarch money or Russian government money." Now on the surface, you'd say that's okay because Russia's evil and does evil things. But what they effectively did is destroyed their 400-year brand by saying, we will cave to pressure.

Let's look at another example, what Canada did. Okay. They also stole money. Now, whether you agree or disagree with the political truck driving stuff that was going on and how it was tied to politically sensitive subjects, I'm not going to say the words because it shows up in all the search engines, but everything we know about the bottom line is the government decided to confiscate money. Here's the beauty of crypto and why I recommend the Exodus wallet.

It's because when you download this, you transfer your currency into a wallet that when it's in there, that stuff is completely under your control. If you keep your crypto in Coinbase or any one of the exchanges, they can cave at any time. So MetaMask is a wallet. Well, there was some stuff about Venezuela. They decided to block all access to Venezuelans. So it's basically saying any government could come in and destroy your ability to have your own currency and store it. But if you take it offline unto a wallet, and look, this isn't completely foolproof for a lot more reasons than we can describe here. But basically what happens is when you set up the Exodus wallet, you can transfer all of your coins into kind of think of it like your own private bank.

Brad Costanzo: Actually, actually no. Don't think of it like your private bank. Think of it like under your mattress.

Michael Koenigs: Okay.

Brad Costanzo: Because at a bank-

Michael Koenigs: That's true. They can grab it too.

Brad Costanzo: Somebody else is there who has the keys to the vault. And this is your own private vault.

Michael Koenigs: Yes, but a mattress isn't secure. So your whole house could burn down. In the case of the Exodus wallet, here's ultimately what happens. You set it up, you transfer your coins, and it's actually pretty easy to do. And then there's a secret key. They call it your password phrase. It's 12 words. You press a button. You hold it down and it'll give it to you. And what you want to do is you want to write that down and save it in a couple places or memorize it if you have a good memory. Put it in a trust. But the bottom line is, make sure it can't be open or seen by anyone.

But let's say you lost your phone. You lost your computer. Anything would happen. You can download the app, install your recovery phrase and all of your coins still belong to you. And all that's really happening is all of your coins exist in a private address somewhere. And that's why cryptocurrency is cryptocurrency. It's basically a secret place that's virtually unhackable. And again, we won't go down that dirty road, but the bottom line is no one can easily crack into your stuff and there isn't precedent for it, but ...

Brad Costanzo: The way they do that is they crack into you.

Michael Koenigs: Yeah.

Brad Costanzo: They're not cracking into the ledger. And even at a fundamental level where people don't quite get it, it actually took me a while out to actually really get it. So when I say, if I say I've got $100,000 of Bitcoin or Ethereum sitting out there, where is it? Well, they call it a distributed ledger. Think about if you got your money in the bank, at Chase Bank, for instance, Chase has the ledger of how much money you have. In this case your ledger is stored on, I don't even know, 10,000 different computers running the exact same ledger and they all have to match.

Now your money is not in one place. There is a record of your money in a lot of places. And what the wallets do, if your money is on it Coinbase, or if it's on it Exodus, or if it's on a ledger or any of these wallets, that wallet is not ... Your money is not on the wallet. The wallet is your doorway to the ledger that allows you to interact with the ledger and control it. So then you go, "Okay, well, wait a minute. If I lose my phone, if I lose my USB drive, if I lose anything else, I just need to know my private keys. And then I can open any door, any door to the blockchain."

Now, there's a saying in crypto, which is not your keys, not your coins. That means if I have my crypto at Coinbase, at a centralized exchange, ultimately they have the keys. They can control if I get that or not. And in a moment's notice, they can cut me off. So these software wallets exist to say, we are going to transfer the access to the blockchain to you and you alone because you have these keys and nobody else has them.

But like, was it Spiderman who said with great power comes great responsibility? This gives you great power to walk across a country butt naked with nothing but your phrase in your head and take all of your wealth with you at any time and nobody can take it away. The problem is you can lose those keys. You can forget it. So operational security or they call it OPSEC in crypto is very important to understand. And what you're talking about with Exodus wallet, that's step one, just download the wallet. Then start to slowly understand how to move money there and then how to protect that. And I know this is some stuff we're going to talk about at the mastermind.

Michael Koenigs: Yeah. We're actually going to do it with our ...

Brad Costanzo: Exactly. But it's so critical, especially right now. You mentioned Canada. They demonstrated that if they do not like your position, you are even supporting the truckers and giving them food or whatever, they're freezing people's bank accounts.

Now, not to dovetail too far, but this is so important. The right to transact, I believe is more fundamental than the first or second amendment. Like the right because if you think about it, the right to free speech, the right to assemble, what do you need? You need somewhere to speak. You need somewhere to assemble. Those require you might need gas to get to the place where you're going to protest. You might need to pay for your internet so that you can speak online. You need to survive. And if they take away your right to transact, they're fundamentally taking away every human right you have.

But they're like, "Oh, well, no, we're just shutting down transactions." Not it's so much deeper than that. And for the first time, that's when my eyes opened up and I was like, "They are weaponizing money and they're playing with fire. It's going to burn us if we're not careful. It's going to burn them." And just since we're on this, with what's going on with Russia right now, the western world really only has two things. Let's go to war with money or let's go to war with guns and missiles. And nobody wants to go to war with guns and missiles so we do it with money. The problem is everybody's paying attention. Everybody's saying, "Wow, they can cripple economies, individuals, companies immediately. We are so dependent upon them. And they're showing they're willing to use it against countries and grandmas that support trucker protests." It has never been more important therefore, to understand crypto as a lifeboat, just in case.

I mentioned to this to you offline. I got into crypto for offensive let's make some money. This looks good. I've started to view it as the most important defensive move that I can make.

Michael Koenigs: Yep. Bottom line is I completely agree. A) can't trust a government and you got to remember there's idiots the lowest common denominator become bureaucrat, because they don't add real value. That's my overall opinion. And all you got to do is witness human history ladies and gentlemen. Rome, Greece, every country eventually goes through its cycle where it's run by morons. Okay?

Brad Costanzo: There's a saying-

Michael Koenigs: Who steal for a living. Taxation, I think there's a necessary level of taxation. And then it becomes absolutely corrupt.

Brad Costanzo: Yep. And there's that saying that power corrupts and absolute power corrupts absolutely. Well, the other piece is that it's not just that power corrupts, but power attracts corrupt people who want power. I've never met a really, really ethical person who wants that much power. They're like, I'm striving. No, we want fulfillment. We want to feel loved. And we want to just get along and have fun. The power and the more power you have, it attracts people who want that power. Why do they want it? There's a reason. And they're demonstrating right now they're willing to use it.

Michael Koenigs: Sociopaths and psychopaths.

Brad Costanzo: Yep.

Michael Koenigs: So with that, this is the closest thing we can get to sovereignty. And I think what has happened with Russia and Canada and the fear that goes on with right to speak. And look, I think that what laws are in place for, and being able to have what government is good for is policing, right? It's preventing crimes from happening, of theft, et cetera. But at the end of the day, you got to protect yourself against your government and banks, who again, Chase, if you have an account in Chase, Chase controls everything. And the biggest thing about crypto and DeFi ultimately are, this is replicated for all practical purposes, impossible to steal from and it doesn't belong to anyone. It's just a replicated system.

It's like having a whole bunch of satellites where all the data's stored on it. And you could take down 50% of all of the systems, and it still keeps on running. Now someone would say, "Well, what happens if the internet goes down?" "Well, you know what? Your banks won't work either, you idiot. Nothing will."

Brad Costanzo: Did you know?

Michael Koenigs: Yeah?

Brad Costanzo: I know this is true with Bitcoin. I do not know about all the altcoins, but I'm assuming because it's similar technology. You don't actually need an internet connection. You can have radio waves. You can do transactions. You can.

Michael Koenigs: Yeah.

Brad Costanzo: There are ways to access your money if the internet goes down. And that internet would have to go down globally for a long time with no power generator back ups, et cetera, so-

Michael Koenigs: We'd all be dying of other things first. Zombies would get us-

Brad Costanzo: Much bigger problem-

Michael Koenigs: ... in multiple ways. So the whole thing in, "What if the internet goes down?" Derp, derp, derp, derp is what I have to say about that.

All right, moving right along. So in summary Coinbase, get some coins, move all your stuff to Exodus, because then rotten things and rotten people can't steal it from you and you have a level of sovereignty. And what has happened worldwide is the acceleration towards crypto is happening now. And this is why I'm very bullish on it.

Let's talk a little bit. I think there's two or three things and then we're going to get into your advanced stuff to wrap it up. But we're talk about DeFi, bot trading, and then maybe even talk a little bit about staking. But I want to first talk briefly about bot trading. And for you watching or listening at home, I'm not going to show my screens. And part of it is I don't ever want to show specifically where I have my money basically, my crypto, but ...

Brad Costanzo: You just don't trust me. That's what it is.

Michael Koenigs: Yeah, you're a bad person. You're a bad person. No, we've been ... But at the mastermind, there's a couple people in there who've got 50 to a couple hundred thousand dollars and they've agreed to share their ... On screen, we're actually going to show our portfolios. I'll be doing it there. And I'm using a tool called Bitsgap. Here's basically what you do. You click a button and you can choose a pair, a trading pair. So it'd be like USDT, which is a dollar pegged. Think of it like-

Brad Costanzo: Stablecoin, yeah.

Michael Koenigs: Yep, exactly. It's dollars on crypto world and then-

Brad Costanzo: And then the US dollar. Yeah.

Michael Koenigs: Yep. And then it'll trade against, let's say Avalanche, AVAX, or Luna or whatever. And those are two pairs that I have set up. And all the bot does is it buys low, sells high, and it can do like 30 transactions a minute. Okay? Buy low, buy low.

Now the problem with this is first of all, there's a subscription fee for the tool, Bitsgap. And it's cheap. It's like 50 bucks for four or five bots and 150 for 20 bots, somewhere in that neighborhood. There's also trading fees, which is sort of like paying for bank transfers, little wire transfers every time this happens. And someone might say, "Well, you know what? I can trade stocks without any fees." Well, you can, and this'll get simpler. And that's why the protocols are important. That's why these utility tokens are important. But for now there's more volatility, there's more spread and these bots are pretty smart.

So as of now with less than $100,000 in there, what I've noticed and like today I showed you my portfolio, I'm actually technically down. Overall I'm up, but I'm down at the moment. But other people who are using the strategy are at about 40% annual. Now they claim sometimes if you really get good at pairing, you can make 1% a day. My goal, for example, will be to have $250,000 in there and be able to produce even at a third of a point a day. My goal would be to generate 25 grand a month in passive income once I really get this, which is more than enough for all of our expenses.

So what we're going to do at the mastermind, we're going to demonstrate this, show it. And you can literally set up the bots once you understand the principles, which maybe takes an hour to get your head around, less than five minutes to set up a bot.

As soon as we're done with the recording, I'm going to actually set up some more bots with you. And you can subscribe to services that will show you what to buy based on basically nerds who do the research for it. And I don't know if there's anything else other than what I did do is I have a link set up at paidforlife.com/mybots, M-Y-B-O-T-S. If you click on that, it will create an account on Bitsgap and actually transfer my current bots to you, which you can set up and use, which means you don't have to do the research other than I've spent literally tens of thousands of dollars in time, money, resources, my own cash learning how to figure this out.

Anything you want to add on that one? I think I went way too deep, but ...

Brad Costanzo: No, it's great because bots are one of those things that I know conceptually how they work. I have not set them up. I am also looking forward to learning. And this aspect from you, I've just been so busy with the other stuff, I haven't had time to dive into the bots. But I think they're fascinating and it's very rule based, strict trading and it's about controlling risk. And I think it's fascinating.

Michael Koenigs: Yeah. I'd say again for our friends coming to the mastermind, we'll demonstrate it, show you how to do it. I'm going to give you some trading pairs. And if you want to, just go to paidforlife.com/mybots. At least set up the account so it's running when you're there. And then you can decide if you want to add some stuff later.

The other thing it has is a demo or a simulator built in and the bot will actually back trade. As long as you want, it'll show you how much you would've earned based upon an investment. So you can basically do paper trading with the bots if you just want to play around a little bit and see what you do, or do what I did, which is I started, I put in like 10 grand and then 20, and then more. I'll probably have six figures in there by the time we're all together.

I think, first of all, it is a little more risky, but it's just like doing options trading. If you spend some time getting educated, pay attention to it, the bots are pretty darn small or smart I mean, and they make money during down times. That's what's pretty cool. As long as there's active, what's the word I'm looking for, up and down and up and down.

Brad Costanzo: Yeah. Volatility?

Michael Koenigs: Yeah, Volatility.

Brad Costanzo: Yeah.

Michael Koenigs: Thanks for the big words. All right.

Brad Costanzo: Love it.

Michael Koenigs: Let's talk a little bit about staking and DeFi and earning interest because I've used Celsius. I know you've done much more in there. And first of all, how successful have you been with it? Has it made you real money and what did you use? I want you to explain what it is.

Brad Costanzo: Sure. Where do we start? Okay. Let's start with DeFi. What is DeFi? So DeFi stands for decentralized finance and it is an absolutely disruptive technology. It really started to come in play back in 2020. And it was like the summer of 2020 was considered the summer of DeFi where all of these platforms and programs were showing up that I could, like when it just starts off, I talked about a decentralized exchange. Typically, I need to go to a Coinbase where there's a lot of know your customer identification rules in order to buy things because I'm transacting with US dollars.

A decentralized finance exchange or decentralized exchange might be something called like Uniswap is a really good example of one on the Ethereum network where I can take, if I have Ethereum and I want to buy a completely other coin, I'm trying to think of another, like if I want to buy Chainlink, which is an Ethereum based token, I can just trade it on Uniswap. And these are thousands of hundred thousands of millions of individuals who are providing liquidity for me. So I can just trade back and forth.

Michael Koenigs: It's just like trading a US dollar for an Australian dollar or a Canadian dollar. And you can ... So the exchange is allowing that to happen.

Brad Costanzo: Right. And there is no central authority. There is no CEO. It's all the community coming together to provide a service. Okay. So now the next side of that is, well, what else can I do with this besides just trading?

So decentralized finance also allows for staking. Okay? So staking is without getting too complex here, there's two main types of blockchain. What do I want to call them? I can't even think of the word, but it's, there's mechanisms. There's a proof of work, which is what primarily Bitcoin and right now Ethereum still does. So I won't go into the details of what proof of work is, but there's also proof of stake. Proof of stake is easier to explain, which is if you're running the ledger, if you're running with a node or a validator for all the transactions, you have to have so many of the coins on this network.

For instance, if I'm with Solana as a staking network, I have to have so many coins in order to be able to process the transactions on the ledger. Now, in order to get those coins, I can either buy them or I can allow other people to direct their coins, it's almost like directing their votes towards me. I think of it almost as like the representative democracy, like what we have here. We have a republic. So we elect senators and congressmen to go to Washington to vote for us. We are delegating our vote to them. So in this, if I own a bunch of Solana, I can delegate my vote by staking it to somebody else. In return, they will pay me staking rewards. I will get more Solana. And typically the percentage can range anywhere from like 2% or 3% to 5%, 10%, 15%, depending on the coin and the protocol, which means this is passive income.

Well, I can buy Solana. I can buy Avalanche. I can buy Luna. I can buy all of these things and I can stake them. And we won't go into exactly how on this episode.

Michael Koenigs: I'll do the very basic, which is for example if you use Celsius, you transfer your coin from Coinbase Pro. So let's say you had one Bitcoin, which as of now is just under 40,000. You transfer that over to Celsius and they will start paying you 6% on your first 0.25, your first quarter of a Bitcoin. After that, it's like 4%. Ethereum is around the same. I had one, Stellar, for example, Xlm I believe is the call letter. And I bought it and I bought it because Celsius was paying 14% on it. I was like, "This is awesome." So I bought a bunch of Stellar. I put it over there and I'm making my 14% and it's, we'll call it very close to zero risk. Right? They even insure you now. So there is insurance on it.

Here's the problem. My Stellar, which I had, let's say I think $15,000 worth of the stuff went down to about $7,000. So if I would've just had Bitcoin or Ethereum, it would've pretty much stayed. And even if I was making five points, but here I dropped 50%, not only am I making dick on it, the value of my original coin reduced. And I can't remember the reason what the market shift was. And sometimes it's just arbitrary because a lot of what's going on in the crypto world is a giant Ponzi scheme. Okay? There are bad actors in an unregulated world inventing garbage and they can create enough fake news to artificially pump it up. It's like penny stocks, frankly.

Brad Costanzo: Yep.

Michael Koenigs: It's kind of like Wall Street. Oops. Did I say that? The fact is-

Brad Costanzo: Kind of like the US dollar, what?

Michael Koenigs: Yeah. Right. But the net-net is here's what happened is you can transfer it over. And I made like five grand and I can't remember how much I had over at Celsius in interest with very low risk. The only problem again with it, and I know there's a way around this. We have to research this, is because I had a bunch of currency sitting in Celsius, there was a stink where Celsius ... One government was going to block Celsius for a little while. So once again, one of these rotten actors can come along and shut down an exchange. And thereby you don't have access to your coins.

Brad Costanzo: Correct.

Michael Koenigs: There are ways of staking from your original wallet and bypassing the exchange. That's a deeper topic for another episode.

Brad Costanzo: Well, and just to kind of bridge this gap here, because the one thing that like Celsius isn't necessarily staking. So with Celsius, the mechanism for that-

Michael Koenigs: Oh yes. I'm sorry. It's just interesting-

Brad Costanzo: ... yeah, you're lending.

Michael Koenigs: Yes.

Brad Costanzo: You're lending. You're giving them your coins to lend out. They're paying you really ridiculous amounts of money. You can earn like on USDC right now, which a stablecoin pegged to the dollar. I'm just looking at the rates on my computer. If I put 10,000 in there right now, all I have to do is put it in there. They're lending it out. People who are hyper collateralized.

Michael Koenigs: Yep, trading just like a bank.

Brad Costanzo: Yep. And they're currently paying the lowest percentage I've ever seen, which is 7.1% interest on a non-volatile asset on cash. Right? Think of this as a savings account with a 7.1% interest rate. Are there risks? Yeah. There are black swan risks. There are risks that something will happen with Celsius, because it is, they have the keys. You do not have the keys.

But then what you just mentioned, yes, you can stake, which is where I started off. You can stake your coins. In my own wallet, it's my stuff. What I'm doing is I'm delegating my voting power to somebody else and I may get paid 5%, 6%, 7% or more just for holding the assets. So they become yield bearing tokens that ... I mean, let's say you have $100,000 of, I'm just going to say Solana. I can't remember exactly what the staking rewards for Solana are at the most popular places, but let's just say it's 6% or 7%. I get the potential benefit of Solana going up, but I also get income coming in. And it's remarkable. But there's lending. There is staking. And I'm trying to think of the other DeFi there. Then there are yield farming, which is an entire other can of worms. This is where you're getting paid to provide liquidity for other coins.

Now I mentioned Uniswap and these decentralized exchanges. There is no one company who's just buying all of this and letting you sell it like Coinbase is. They're attracting individuals. They say, "Listen, we need to provide liquidity for USDC and ... " Another, I'm just thinking of another coin, Solana, or whatever it is. Don't roast me if I get this wrong. But they allow you to bring both coins and you're participating in a pool of liquidity. And then so you get a percentage of every transaction that happens in that pool.

Now there is a lot of ... There's different risks. There's different rewards. We won't go into that right now. But it's another way to earn income. And this is called yield farming. I mean, once you start to get into this, if nobody understands what we're talking about, it may be over your head. But once it starts to click, it becomes the most fascinating thing on the planet.

Michael Koenigs: It's really fascinating. We're in house. I'll first say a lot of stuff that goes on is speculative Ponzi scheme BS. However, when you start hanging out with people in the know, who can truly show you their accounts and show their history, so there's a level of trust there, right? That is ultimately, what is crypto? It's a new form of trust. Okay? I believe it is inevitable. If you follow, go down the rabbit hole, everyone will be like, "Well, what about government regulation and this and that?" It doesn't exist. It's all who believes what at any given time. It's all BS. Everything is a story. And we reason our way through it. And what you care about is how much momentum, human momentum is in it.

Right now, there are enough people using it, deciding to transact with one another. And I believe there are much ... There's been estimates I've seen of the amount of illegal activity happening with crypto versus US dollars, okay? It is insignificant. It's like one-100th of what goes on in the world. So anyone who argues, "Oh, crypto is for criminals," do your research.

Brad Costanzo: Yes.

Michael Koenigs: Do your research.

Brad Costanzo: Dollars are for criminals.

Michael Koenigs: Yeah. Yeah.

Brad Costanzo: And there it is about a $1.7 trillion market. Think about that, is a $1.7 trillion market. It ain't going anywhere. But I want to say up, but I want to say out. It is expanding at a rate that it cannot be controlled. You mentioned something really important. Will government regulate it? Will government ... Oh, there's a big difference between will it regulate it, will it ban it. So yes, they will. They will regulate it. There are governments-

Michael Koenigs: And there are good reasons for that to protect and that will increase the speed of adoption. Government can't compete with an entrepreneurial mindset and marketplace. The best thing they can do is coordinate with the good actors and find effective ways to tax it and make it easy. Because right now it ain't easy. That's another subject altogether. We'll talk about that at the mastermind, but continue going. I interrupted.

Brad Costanzo: I heard a stat yesterday that it ... This could be incorrect, but I think 40 million Americans own some crypto. 40 million. That is such a large amount. So if they start to regulate and they start to get really hostile, like Elizabeth Warren, that hostile b who is really against it, because she doesn't understand it.

Michael Koenigs: Total. Totally. It's so obvious she is completely totally ignoramus.

Brad Costanzo: Right. So what I think we're going to start seeing more and more and more rapidly is that the constituents own this stuff, they have a vested interest and this is one of their, not only is it a lifeboat for them to prevent from getting wrecked, but it is a potential way for them to finally make some real money and compete. I think that politicians are going to need to cater to a crypto-friendly crowd. So that's one piece.

But let's take it to another extreme. Let's look at the risks of outright. Let's just say the entire developed world G7 or whatever bans crypto. We go it is as illegal as cocaine. Right? Well, first of all, it didn't stop cocaine.

Michael Koenigs: No.

Brad Costanzo: Didn't stop the drug trade.

Michael Koenigs: Exactly. Yep. The underground is going to grow so fast.

Brad Costanzo: So let's just think. Okay. And I've given a lot of thought to the worst case scenarios in the world of crypto, and let's just stick to Bitcoin for this example and Bitcoin alone. If the government and the regulators say, "This is a national security interest and this is going to ruin in the US reserve system, et cetera, we are going to ban and make it illegal to buy and sell crypto. Like on Coinbase, you cannot do it. It's illegal." All right. That's a big risk. That will likely affect the demand quite a bit. Then the price will probably go down in the short term.

But number one, that will also reemphasize the importance of having something they can't ban. It's an asset. Like, wait a minute, you're telling me. This really abridges my freedoms. But what's a bigger risk? Having money in, let's say Bitcoin, and then they ban me from putting money in or out. Well, if they do that, I can still, I'm in a parallel economy with people who will buy and sell.

Michael Koenigs: Totally.

Brad Costanzo: Buy Bitcoin, and I can buy and sell goods.

Michael Koenigs: Happened to a bunch of islands out in like the Bahamian. Not Bahamian. I can't remember. There's a couple islands that they're taking Bitcoin cash right now.

Brad Costanzo: Absolutely.

Michael Koenigs: Yep. And it's cheaper and you don't have to pay fees to MasterCard and Visa who can you know what my you know what.

Brad Costanzo: It's huge in Nigeria. It's huge in all these places where they've got out of control, Venezuela, out of control governments and money. So they can operate. Now, they're like, "Okay, you can ban us from buying more or selling it for your Fiat, but you cannot ban us from operating together. I can still send money to you and you can sell me your car if you want."

So what's a bigger risk? Is the bigger risk having money in Bitcoin and them shutting the doors? Or is the bigger risk not having any money in the parallel system at all, and being shut out from it when they decide to get more draconian, and they will? And I look at it like that. And this is an asymmetric risk. It is an asymmetric bet to go crypto is expanding like crazy. It is a defensive lifeboat. It is an offensive game-changer.

The risk of not participating, of not learning about it is so dramatically big, both from the opportunity loss, but also what could happen if everything else goes to crap, if they decide to start confiscating money for again, even more.

So I just look at it as we are at a fundamental fulcrum in our global society that it is so important not just for fun money, but to really understand what you're doing. That's why I've gone deep and deep and deep. Dude, what am I buying here? What is this? Why do I want it? And the epiphanies I've had, and then I'm looking forward to sharing with the people at the mastermind just have been life-changing.

Michael Koenigs: I couldn't agree more. So here's what I'd like to do. Let's do the advanced trading, predicting the market segment as a bonus. Okay? So for everyone in the mastermind, you're going to see the bonus, it's part of the included. If you're on our podcast right now, either listening or watching, go to paidforlife.com/mastermind. There you're going to get Brad's book, which has a lot of good information out. We're looking at it before we start today. You get a transcript of the show and the bonus where we're going to go deep on predicting the market with Brad Costanzo. This is really cool. He'll show you how to read some graphs and some charts.

I learned a lot. I've watched him go through this, I think three times now. And I'm still just really getting my head around it and I feel a lot more comfortable. And then, if you enjoyed this episode, make sure that you leave some comments for us as well. And I'm going to give you a couple links again, to get all the stuff. So there's links in the show notes for the services we talked about. Go to paidforlife.com/mastermind to get the bonuses, Brad's book, transcript of the show, or text the word Crypto to 855-955-3958. So if you have enjoyed it again, comment, share it with someone you know, and for everyone else, stand by for the bonus.

Hey, welcome ...