

# INSIDE DIGITAL ASSETS

with RIC EDELMAN

Issue No. 11

January 5, 2022

DACFP.com

## WHY YOU NEED TO KNOW ABOUT NFTS

---

By [Ric Edelman](#), Founder, Digital Assets Council of Financial Professionals

2021 was the year non-fungible tokens (NFTs) became a multi-billion-dollar industry, with \$23 billion in sales. The year before, volume was just \$14 million.

At first glance, NFTs look like pure hype. But there's much more to this technology than pixelated art and bored apes. It's an entirely new kind of commerce. Here's what you need to know.

### What are they?

*Non-fungible* means unique. *Token* means representation. A subway token means you have permission to ride; a token gesture is an act representing sentiment.

NFTs can be created to represent anything – from a painting to a contract. Each contains a unique code that proves its authenticity. The code is stored on a blockchain, the same technology that powers digital currencies such as bitcoin. And like bitcoin, NFTs can be bought and sold, with the blockchain ensuring they cannot be altered, deleted or counterfeited.

### What makes them desirable to own?

NFTs are easily traded, even divided (you can own a share of an NFT). Unlike fine art, whose origin can be forged, NFTs have a foolproof provenance: you can see where it came from, how many owners it's had, and what they paid for it.

Sure, you could buy a copy – but that's like owning a copy of a Van Gogh instead of the original. The copy isn't worth anything; the original can be priceless.

### Isn't this just for techies?

Not anymore. NFTs are now commonplace in commerce. The NBA lets you buy NFTs representing your favorite players (a LeBron James NFT sold for \$300,000). A restaurant in New York creates cocktail recipes and sells them as NFTs, generating a new revenue source.

Burberry sells NFT versions of its clothing so video gamers can have their avatars wear the brand's outfits as they play - and later sell the clothes to other gamers. It's a \$50 billion global market.

In the not-distant future, you'll be able to create NFTs representing your home - enabling you to monetize that asset to generate income in retirement. If you're a musician, you can sell NFTs of your latest recording - giving fans the opportunity to resell your music for a profit (and every time they do, you get a royalty). The possibilities are endless.

Most people still don't grasp the concept. But those who do recognize this new technology as an exciting way to generate capital and invest.