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# NFTs Explained Simply

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*This article aims to provide insight into NFTs at a basic level. It references blockchain technology and cryptocurrency. If you are unfamiliar with the DeFi, read our articles on [blockchain](#), [crypto](#), and [DeFi](#) before reading this article.*

**Non-Fungible Token:** A non-interchangeable unit of data stored on the blockchain.

## What Are NFTs?

An initialism for non-fungible tokens, NFTs are a type of cryptocurrency token. Each NFT is non-fungible, which means that it is one of a kind and irreplaceable. This quality makes it different from other crypto tokens, such as Bitcoin. One bitcoin can be exchanged for another, but each NFT is unique and cannot easily be traded.

While NFTs have been around for a long time now, they only started gaining popularity past two years. Some people have found life-changing wealth by flipping NFTs, while





## How Do NFTs Work?

Very simply, NFTs are just individually unique crypto tokens. Just like any other token, an NFT contains data, such as who it belongs to, its smart contract address, and all metadata regarding all transactions ever performed with it. Being on the [blockchain](#), this data cannot be altered and is viewable by anyone with an internet connection.

## Why Do People Buy NFTs?

While many people who purchase NFTs do so in hopes that the price of their NFT will skyrocket, others do so to collect them, or because they resonate with the art. NFTs are no different than any other piece of art, aside from the fact that they exist on the blockchain, making them easy to authenticate and difficult to steal. However, if you're wondering why NFTs can cost millions of dollars, you may want to read our article discussing that very topic.

## What Does it Mean to Mint an NFT?

Minting an NFT means that you are generating that token through the smart contract of the NFT project. As an alternative to minting, you can purchase an NFT from a secondary marketplace, such as OpenSea or LooksRare.

## Do I Own My NFTs?

A prevalent misconception is that when you buy an NFT, you do not own reproduction or commercial rights. However, this depends on the artists themselves.

Most NFT projects grant commercial and reproduction rights when you purchase an NFT from them. Review the project's official website and documentation for more information. Alternatively, you should be able to contact its creators on social media.

## Do I Need to Pay Royalties?

Creators can generate income through their creations in perpetuity by setting royalties on sales of their work on the secondary market. Typically, creators of NFT project code royalties into the smart contract governing the project.

This means that when you sell an NFT, something like 5% of the sale goes back to the project's original creator. Of course, this percentage varies depending on the project, and not every project collects royalties from sales.

This concept can be applied to art, music and even NFT passes which give you access to future drops.

## NFT Use Cases





estate ownership and intellectual property, NFTs are emerging tech that is poised to transform the realm of digital ownership.

One of the rising uses of NFTs is to participate in GameFi. Blockchain games typically exist in a metaverse, which might require players to own beginner items in the form of NFTs to start playing. Some such beginner items might include avatars, land, equipment, cards, and more.

Characters and unique in-game items which can usually only be deployed in one game, can now be transferred to other games. This gives players the unparalleled incentive of exclusively owning their characters and other in-game items, while benefiting game developers by helping them further their brand.

Today's most common type of NFT project is the profile picture NFT project. These are typically computer generated images of a specific type of art. Some of the most popular ones include Bored Ape Yacht Club and CryptoPunk NFTs. Twitter Blue now allows you to verify the ownership of your profile picture if it is an NFT, adding a level of prestige to it.

Community has long been a core factor to the success of any NFT project. In some cases, owners of NFTs are reluctant to part with them because they want to remain in that NFT's community. Ownership of an NFT can also be verified on Discord servers, granting holders of a project's NFTs a "verified" role. In this sense, owning an NFT gives owners membership to an exclusive community.

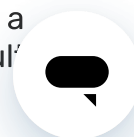
As previously mentioned, the technology behind NFTs could support so much more than just trading digital art. The ability to verify authenticity and ownership could bring about a more equitable way for musicians to sell their music without fear of their work being stolen.

The uniqueness of each NFT also means it might be an easy, secure way for verifiable personal identification. This would simplify things such as hiring processes, as employers would no longer have to conduct lengthy background checks.

In the same vein, real estate could also be bought and sold as NFTs. Currently, there are NFTs for digital parcels of land in the metaverse. There is no reason this wouldn't work in real life if blockchain technology became universally adopted.

## Risks of Owning NFTs

Aside from the usual risks of owning any cryptocurrency, NFTs come with their own set of regulatory, technical and security risks. As the basic definition of NFTs is not tied to a specific group of assets, legal and regulatory bodies have had somewhat of a difficult time classifying them.





valuation of these digital assets is open due to the factors of scarcity, public interest and the availability of distribution. Similar to the prices of cryptocurrencies, the value of NFTs can fluctuate wildly.

As NFTs are a relatively new domain, participants of the entire ecosystem which involves builders, users, and regulators have to take into account the following factors to further the growth of this space:

- Assessment of possible risks
- Formation of a uniform and regulated infrastructure
- Education on conducting safe and secure transactions

## How to Buy NFTs

Now that you're better acquainted with what NFTs are, are you ready to take your first foray into the world of NFTs? Remember to always conduct thorough research on an NFT project before getting into it, and check that it is an authentic project and not a scam. Once you've decided on a project to support, here are some easy steps to buy your first NFT.

### 1. Create a Wallet

As with buying any cryptocurrency, you are going to need a wallet that can connect you to the blockchain. Some popular wallets are Metamask, Coinbase Wallet, and TrustWallet. There are many alternative wallets, but it's always safer to go with a wallet that has been tried and tested to be secure.

### 2. Connect Your Wallet

Once you've created your wallet, you will need to connect it to your NFT marketplace of choice. Some options are OpenSea, Rarible, and LooksRare. Upon entering the marketplace's website, you should see a "Connect Wallet" button. Click on it and approve the transaction on your wallet to proceed.

### 3. Find Your Chosen Project's Authentic Address

Type in your chosen NFT project in the search bar, and ensure that it is the correct address before buying anything. You can verify this through the project's website or verified social media channels, which should provide you a link to its contract address. As many popular NFT projects do get duplicated, this is an essential step. Duplicated NFTs are stolen art, and have no value other than to scam others.

### 4. Find Your Perfect NFT

NFTs contain different properties, which affect their value. Sometimes, people want NFTs with specific traits or colors, and you can filter this through the marketplace's search function. While this process is different for everyone, most people will want to have a specific NFT and not just any NFT within the project.





and purchase it at the seller's set price instantly. You will see how much of the sale goes to the artist, and the maximum possible gas fee you will need to pay.

If it has been put up for auction, you may bid for it by meeting or exceeding the seller's minimum price, or the highest bid. Click on "Place Bid" to input your bid price. You will need to confirm the transaction and pay a gas fee. If you are the highest bidder when the countdown timer expires, then you have won the bid. Otherwise, you should receive a notification whenever someone outbids you.

## Conclusion

NFTs are simply unique tokens that have fluctuating values depending on who is valuing them. This could be the result of the unique combination of characteristics that make up and NFT, or the value someone finds in a specific community, or something else. Overall, NFTs have many potential use-cases, though most NFT projects today focus on digital art. The nature of NFTs makes it easy to identify authentic art, and can ensure that artists continually get paid royalties with each sale of their work. Many upcoming NFT projects focus on GameFi, and is definitely a space to look out for.

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