



# What Is an NFT and Why Are They Worth So Much?

You may have seen non-fungible tokens (NFTs) in the headlines lately, and though you might be unsure of what *exactly* they are, one thing is clear — they can be worth a lot of money. For example, an [NFT of Jack Dorsey's first Tweet recently sold for \\$2.9 million](#).

*So what is an NFT, and why are they worth so much?*

This article will define NFTs and explain why some are being sold for incredible amounts of money. Once you have a basic understanding of NFTs, you can decide whether this type of asset is right for you.

## What Is An NFT?

The term fungible describes an asset with interchangeable units. For example, money is a fungible asset because a \$20 bill is worth the same as two \$10 bills.

A non-fungible asset, however, cannot be interchanged and has unique properties. Like Van Gogh's "Starry Night," a work of art is a non-fungible asset. You can make a copy of the painting or photograph, but those are only copies, not the work itself.

NFTs, or **non-fungible tokens**, are digital tokens with unique identifiers. They can be considered digital certificates of ownership, with each one totally unique. Like other forms of cryptocurrency, such as Bitcoin, a record of who owns which NFT is stored on multiple servers in ledgers known as blockchains. Because NFTs can be used to certify ownership of a digital file, such as a Tweet, they transform how we think about ownership online.

## How Do NFTs Work?

Valuable objects such as paintings, furniture, and other art pieces are worth a lot of money because they are rare and, in most cases, difficult to copy. However, digital files can be easily and endlessly copied. Because of this, there was no real way to certify digital asset ownership. But now, because NFTs are verifiably unique, they can prove ownership of a digital item.

When people buy an NFT, they purchase the right to transfer the token to their digital wallet. So, when someone purchases a digital file, [such as an animated gif of Nyan Cat, for \\$500,000](#), the NFT certifies that they are the sole owner of that file, which is verifiable through the blockchain.

Another aspect of NFTs that makes them attractive to buyers is that they are indestructible because they are stored on the blockchain. They can't be accidentally deleted or copied. They are also immutable, meaning that the NFT owner owns it outright. This differs from "owning" a movie you purchased on Amazon, where you only own the right to license that movie for your personal use.

## Why Are NFTs Worth So Much?

The short answer to this question is that NFTs are worth as much as someone is willing to pay. If the producer of the NFT is famous and the buyer is wealthy, the price can skyrocket. NFTs have become very popular in the gaming and collectibles community and are now beginning to make inroads in the fine arts and luxury goods markets.

NFTs of digital artwork, virtual trading cards, and even digital real estate have also recently made headlines for their high prices. The most expensive NFT that has been sold to date is a digital artwork by [Beeple, which was sold at auction by Christie's for \\$69 million](#).

The NFT market explosion shows that people are becoming more comfortable with a market based on cryptocurrency, though some fear that there is [an NFT bubble that will](#)

[burst](#). Whether it will or not, it is clear that NFTs have revolutionized online ownership in the new decade.

## NFTs and Online Ownership

Because NFTs make ownership of a digital file verifiable, they have burst open the market for digital art, texts, audio, and other types of assets. In the past, if you bought a digital artwork, there was no way to prove that you were the original owner.

After all, anyone can make a copy and download a digital file. But because the information stored encrypted in the blockchain can be verified, every transaction involving an NFT can be verified. Because of this, NFTs are disrupting and remaking our views of ownership online.