



Is This Your Last Opportunity to Buy Bitcoin?

Description

If you asked somebody to name the world's best performing currency over the past year or so, they would probably name the US dollar.

The more savvy might name-check the Russian ruble or Brazilian real, but they would all be wrong because the answer is *Bitcoin*, which more than doubled in value.

That is pretty impressive for a paperless currency that exists only on computers, with no central bank or state to back it up. Can its run of success continue?

Bits and pieces

You have probably read a fair bit about the crypto-currency and global payments system, without fully understanding how it works (a dangerous starting point for any investment).

Bitcoin was unleashed by a mysterious group of hackers in 2008. The coins are 'manufactured' using cryptography, with computers solving a set of complex maths problems, and so-called Bitcoin "miners" making coins and recording transactions on the blockchain.

There is a finite supply of 21 million, which advocates claim makes Bitcoin more stable than government-backed currencies, which can be devalued by central banks printing money.

In the clouds

You can trade Bitcoin on exchanges and brokers such as Coinbase, Poloniex and LocalBitcoins in the US, Coinfloor and CoinCorner in the UK, Vaultero in Switzerland and Coinhouse in France.

You can buy fractions or "bits" instead of a whole Bitcoin, starting from as little as \$10 on some sites.

Transaction fees vary according to the exchange or broker, but typically range from 0.2 to 1%, plus bank transaction charges (also trading fees of up to 1%).

You store Bitcoins in a “digital wallet”, either in the cloud or on computers, which can be linked to your bank account.

Coining it in

As ever, those who got in early become seriously rich. Six years ago, one Bitcoin cost around one dollar. Today, it trades at \$1,037.

This means that somebody who invested just \$1,000 in February 2011 is now a dollar millionaire. Lucky them.

Bitcoin hasn't risen in a straight line — it plunged after the collapse of online exchange Mt Gox in 2013 and then again last August, after 120,000 Bitcoins worth \$78m were stolen from Hong Kong-based Bitfinex.

Bitcoin's vulnerability is in the exchanges, rather than the currency itself. If yours is hacked, the chances of compensation are slim.

It slumped from its high of \$1,161 to \$889 in January as Beijing attempted to shore up the yuan (most trading takes place in China), but quickly recovered.

Currency affairs

So where will Bitcoin go next? As with stock markets, nobody knows. Its ardent supporters claim it could easily hit \$10,000.

Alternatively, it could all collapse tomorrow, and if it does then no central banker will bail you out, no regulatory system will rush to give you compensation.

It may still be worth a punt with a small part of your portfolio, or you could try one of the growing number of rival decentralised digital currencies such as Litecoin, Namecoin and Ethereum and others.

But the days of making big money from Bitcoin are almost certainly over, while the risks are as high as they ever were.

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