



Holding Bitcoin in Your TFSA and RRSP

Description

I know you are still out there. Despite [Bitcoin having fallen off a cliff](#), there are still investors who are bullish on the cryptocurrency. Judging by the negative headlines, you would think Bitcoin has no value. The truth of the matter is, Bitcoin has held up quite well as compared to other currencies.

Fun fact: although Bitcoin is trading well below its 52-week high, it's still up almost 100% over the past year. Investors who bought in before its meteoric rise are doing just fine.

Outside of Bitcoin as an investment, one issue most often brought up with cryptocurrencies is the tax implications. The Canada Revenue Agency (CRA) has made it clear that cryptos are considered investments and as such are subject to capital gains tax. In effect, you are taxed 50% on any profit you make from digital currencies. Ouch. That alone is enough to scare investors away from investing in the sector.

Those law-abiding citizens are thus required to keep a detailed record of all transactions. This can be quite cumbersome and a nightmare come tax time. One way investors get around complicated tax situations is to hold their investments in a Tax-Free Savings Account (TFSA) or Registered Retirement Savings Plan (RRSP). Can you hold Bitcoin in these accounts?

Indirect exposure

At the moment, investors cannot trade digital currencies in their registered accounts. You can [certainly hold funds](#) such as Harvest Portfolio's **Blockchain Technologies ETF** (TSX:HBLK) and Horizon's **Blockchain Technology & Hardware Index ETF** (TSX:BKCH). The problem with these funds, however, is that they are focused on blockchain technology.

Investors can also hold certain foreign funds that track digital currencies. However, investors are often subject to ridiculous fees and premiums.

If you are looking for a Canadian regulated fund that tracks Bitcoin, your best option at the moment is First Block Capital's Bitcoin Trust (NEO:FBCBT). The fund is only available to accredited investors, which means high-net-worth individuals. The fund only recently began trading on the NEO trading

platform, Canada's newest exchange. Investment advisors can now buy the open-ended Bitcoin fund and allocate units into clients TFSA and RRSP accounts.

The fund allows accredited investors access to Bitcoin without having to worry about the intricacies of buying, storing, and managing the physical asset.

Drawbacks

One of the biggest drawbacks is that the fund is only available to accredited investors. Retail investors don't have direct access to purchase units in the fund.

A second drawback is one that most don't think about. True, it would be nice to enjoy your Bitcoin gains tax free. On the flip side, however, with your holdings inside a registered account, you are missing out on the opportunity to claim capital losses. These losses are wasted.

Hold Bitcoin itself

Bitcoin is still in its infancy and is still subject to massive price swings. Although it would be nice to protect your gains, it is equally as important to be able to claim your losses. As such, I would suggest holding any fund that tracks cryptos or blockchain technology outside your registered accounts. As for Bitcoin, it's best to hold the digital currency itself. Although it may be complicated come tax time, the investment products for retail investors are limited in scope.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:HBGD (Horizons Big Data & Hardware Index ETF)
2. TSX:HBLK (Blockchain Technologies ETF)

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