



Is Bitcoin the New Safe-Haven Currency?

Description

Where should investors, disillusioned with fiat currencies and government meddling, flock to for safety? Gold is the first answer that comes to mind, since gold has long served as a safe haven when paper currencies fail. And while gold remains a good choice, it is still quite easily controlled by governments through paper trading. It also has the dubious history of having been confiscated by governments at certain times in history. A new alternative safe haven, then, just might be cryptocurrencies like Bitcoin.

Pros and Cons

Bitcoin and other cryptocurrencies present an interesting alternative as a safe haven. Blockchain technology, the underlying software mechanism that enables the currencies to exist, imparts a level of privacy and security that currency transactions and (dare I say it?) banks cannot match.

The secure nature of the transactions and the anonymity it represents is an enticing quality for individuals and organizations who are doubtful of the ability of governments to properly steward the economic system. With cryptocurrencies, so the argument goes, the market will truly be free. A nationless system would exist where transactions could be made without government intervention and meddling. Given the current political climate, the idea is very tempting.

But there is a dark side, of course. If governments lost control of their currencies, it could become very difficult to collect taxes. And those taxes fund our medical system, infrastructure, and other communal entities. It could also lead to increased sales of illegal goods due to the anonymity of blockchain transactions.

It appears to be because of these two reasons, national security and potential proliferation of illegal transactions, that governments are spending so much effort discussing cryptocurrency regulation or even full-out crypto bans.

A safe haven

While it is likely that gold will never fully lose its status as a safe-haven currency, some of its thunder has been stolen by the upstart cryptocurrencies. Gold's main claim to fame has been the fact that it

does not change over time. It does not rust and does not break down. This durability makes it the perfect currency.

While Bitcoin and other cryptocurrencies [do not share](#) this characteristic, they still have appeal due to the fact that they are durable on a political level. It is a store of value that is not controlled by any government. This political durability is very useful as a store of value, much the same as gold's physical durability protects wealth.

How should you invest?

Although buying coins directly or through the **Grayscale Bitcoin Trust** is the most direct way to get into cryptocurrencies, there are other methods. Investors can invest in companies that make their money from mining and trading cryptocurrencies. **Hive Blockchain Technologies** [is one stock](#) that comes to mind, although it is almost as volatile as Bitcoin itself without as much upside.

Using an ETF like **Harvest Blockchain Technologies** is another way to put money into the technology behind cryptocurrencies. Instead of betting on a single stock, you will be able to participate in the entire sector. With a management expense ratio of 0.65%, it is not cheap but not terribly expensive either. It also has a small dividend of about 0.8%, if that interests you.

Are cryptocurrencies the future?

The main argument that people use against Bitcoin is that it has no intrinsic value. Its value comes from the faith in its users and that alone. The problem with this argument is that all fiat currencies exhibit this trait, so the argument is moot. All fiat currencies, including the Canadian dollar, are essentially useless if no one believes in their value. Only gold has intrinsic value.

Cryptocurrencies, at the moment, have their own durability in the fact that they are not controlled by the government. As long as this continues, cryptocurrencies like Bitcoin should retain their value and should be a part of your portfolio in some form, whether by owning the currency outright or by purchasing a stock or ETF that invests in cryptocurrencies or the underlying blockchain technology.

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Date

2025/08/25

Date Created

2019/07/26

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