



Should You Buy Bitcoin to Hedge Against Inflation?

Description

The current market situation warrants caution, diversification, and care. The fact that the American markets have reached these heights in the midst of one of the greatest economic shocks in history is more than a little unsettling. This reality combined with unprecedented debt creation and money printing makes me feel that it is time indeed for caution.

I don't recommend selling your stocks. I think that in the long run, it is still a great place to put your assets. That being said, there was one bit of advice I heard after the March crash that really stuck out to me. I can't remember who said it, but the advice was still sound. If you sold during the market crash, you had too much money in the market.

It seems so easy to put all your money in the market. The simple truth is, though, the market might not be the best place to put all your funds. There is now one option that wasn't available even a few years ago. That option is cryptocurrencies.

Crypto: The future of money

There is a lot of concern surrounding the crypto market. Stock markets are developed and well known. Crypto, however, is still in the "wild west" phase, although it is quickly developing.

If you were to compare it to the gold rush, we are now past the initial discovery days. Businesses are springing up like wildfire in the sector. It is harsh and unproven, but it is starting to take shape. Crypto is coming into its own. And with the current actions of central banks in the fiat realm, it is starting to appeal to a broader investing class.

How to gain exposure to the sector

Although it is easier to do now than it was even a year ago, pure crypto investing is still very new. There is a learning curve if you want to set up your first crypto exchange account and send your first coin through the internet. Fortunately, technology is also opening up to allow people to invest in crypto through traditional avenues as well by using exchange-traded funds.

There are a number of investment vehicles now, most notably the American funds offered by Grayscale. They offer a number of cryptocurrency investments that trade like a stock, such as the **Grayscale Bitcoin Trust** ([OTC:GBTC](#)). It holds Bitcoin and allows you to trade the fund like a stock. It has decent liquidity, allowing for relatively quick moves in and out of the market.

A Canadian option

Now, there is a Canadian company that offers a product traded on the TSX. The company is 3iQ, operating out of Toronto. The fund goes by the name **The Bitcoin Fund** ([TSX:QBTC.U](#)). Its sole holding is Bitcoin with the ETF seeking to track price movements in the coin.

The fund is not cheap with a management fee of 1.95%, so you have to factor that into your decision to buy the fund. The alternative, though, is to [buy Bitcoin](#) yourself by going through all the steps of setting up an account. You will also incur fees related to crypto investing, making it potentially more expensive to go it alone in an uncertain environment.

With the fund, you can let them look after the legwork while the fund company does all the work. Furthermore, the fact that there are so many companies like this is creating Bitcoin funds indicates a bullish case for cryptocurrencies, especially Bitcoin.

The bottom line

It is a good idea to diversify away from the traditional market at this point in time. Having your eggs all in the stock market basket, or even traditional cash, could be very risky going forward. Buying cryptocurrencies outright might be the best idea in the long run, but I know this is not for everyone due to the learning curve and risks associated.

Investing [in cryptocurrencies](#) through a fund like QBTC.U will give you a much less painful way to invest in the burgeoning sector without having to dive in headfirst yourself.

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3. Tech Stocks

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