



## Should You Put Crypto Stocks in Your TFSA?

### Description

Bitcoin and other digital currencies are seeing a resurgence in 2020 and have been among the hottest investments to own this past year. Depending on when you invested in Bitcoin, you could have doubled, perhaps even tripled your money. For investors, the thought of potentially being able to shield those profits inside of a Tax-Free Savings Account (TFSA) is certainly alluring.

However, Bitcoin is not something you can put in your TFSA today. But one way you can get around that is by investing in a blockchain stock like **HIVE Blockchain Technologies** ([TSXV:HIVE](#)). Stocks that are listed on the TSX Venture Exchange are allowed to be held within a TFSA. And with HIVE, the stock will benefit from the rising popularity of digital currencies like Bitcoin.

### Why the TFSA may still not be a suitable place for that type of investment

With returns north of 2,000% this year, HIVE could've made you a fortune if you'd invested in it at the start of 2020. However, as investors learned in 2018, the value of Bitcoin and crypto-related stocks can come [crashing down in a hurry](#). The danger of putting HIVE in your TFSA is that if you lose money on it, you can't use those capital losses to offset capital gains since any profits or losses are not taxable within the account.

And while you might say you can lose money on any type of stock, crypto is especially risky and volatile. You could even say it is unpredictable. How HIVE does is going to be related to the price of Bitcoin and other cryptocurrencies. And with Bitcoin values ranging between US\$4,100 and nearly US\$29,000 over the past 52 weeks, this isn't the type of volatility you would expect when investing in a stock that has exposure to a commodity or currency.

Crypto stocks are extremely high-risk investments, and that's why they're not ideal to hold inside a TFSA. If you incur losses inside a TFSA, you don't just get that contribution room back, nor can you re-contribute what you lost. From a risk standpoint, investing in crypto stocks and putting them in your TFSA can be a dangerous move, and it's not a decision you should take lightly.

A TFSA can potentially shield thousands of dollars worth of gains and dividend income from the Canada Revenue Agency for many years. But if you've lost a significant portion of your contribution room due to a high-risk investment, then you're losing that protection. And so, not only could you lose money on a crypto stock, but you could also lose contribution room if it's held inside a TFSA.

## Bottom line

If you want to invest in high-risk or speculative buys like cryptocurrencies or blockchain stocks, you're better off doing so outside a TFSA. While you may incur capital gains, you're also not putting your TFSA at risk, which is a very valuable tool for saving money over the long haul. A better option for your TFSA would be a [top dividend stock](#), where its recurring income can flow through to your portfolio without any tax consequences and where your risk is not nearly as significant.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSXV:HIVE (Hive Blockchain Technologies)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
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4. Newscred
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6. Sharewise
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