



## Time to Buy Bitcoin? Find Out Whether You Should Jump In

### Description

It seems like everyone is talking about Bitcoin these days. That's what happens when assets set new all-time highs. As of this writing, a single Bitcoin is worth roughly US\$26,000, more than triple the price from one year ago.

Should you jump in? Here's how to decide.

### This isn't just a fad

Bitcoin was created in 2009 by a mysterious figure called Satoshi Nakamoto. In the years that followed, it was mostly treated as an internet joke.

Today, with a market cap of US\$500 billion, it's no laughing matter. Several former skeptics have been converted to the crypto religion.

Financial historian Niall Ferguson admitted he was "wrong to think there was no use for a form of currency based on blockchain technology." Former *Business Insider* editor Joe Weisenthal used to think Bitcoin was a joke, or at best a currency for clowns. "Now, I no longer think that," he said.

Even **JP Morgan Chase** CEO Jamie Dimon [changed](#) his tune. He once called Bitcoin a scam, threatening to fire any traders that "were dumb enough to buy it." Today, JP Morgan has several blockchain-backed projects and is directly involved in cryptocurrency markets.

If you think these assets are a passing fad, think again.

### Should you invest in Bitcoin?

Ready to jump in? There are two things you should know beforehand.

First, just because cryptocurrencies aren't going away anytime soon doesn't mean you should bet the farm. These assets are incredibly volatile. If you have a short-term mindset with an expectation of

immediate profit, there's a good chance you'll get burned. Sure, the upside is greater here, but so is the downside.

Second, don't believe that stocks can't keep up with Bitcoin's meteoric rise. Over the past 12 months, the price of BTC has roughly tripled. But so have [stocks](#) like **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)).

Looking forward, there are plenty of reasons to believe Bitcoin can rise another 1,000%. But there are also plenty of reasons why Shopify stock will rise 1,000%.

You can generate immense returns across dozens of asset classes, cryptocurrencies and traditional equity included. Don't make the mistake of ignoring conventional opportunities for the new shiny thing.

## Bottom line

At one point, many people argued that Bitcoin would go to \$0. That argument is very difficult to make today. Thousands of people transact with the currency every day, and large institutional investment are getting involved, sometimes with multi-billion-dollar stakes.

Cryptocurrencies are here to stay, and it's reasonable to have exposure. Chamath Palihapitiya, founder of Social Capital, first bought BTC at US\$100. Today, he believes it's prudent for all investors to have 1% of their assets in Bitcoin.

"This is a fantastic fundamental hedge and store of value against autocratic regimes and banking infrastructure that we know is corrosive to how the world needs to work properly," he explained. "You cannot have central banks infinitely printing currency."

With massive stimulus packages being rolled out around the world, and central banks generating new money supply at gargantuan rates, it's prudent for everyone to get involved. Just keep your position sizes appropriate for your risk tolerance.

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