



Bitcoin Investors: Avoid This Costly Mistake!

Description

Throughout 2020, one of the best-performing assets was the controversial cryptocurrency, Bitcoin. The digital currency started off the year quietly, then was sold off rapidly along with most other investments during the coronavirus market crash in late February and March.

Then, since its bottom in March 2020, the cryptocurrency has gone on an incredible rally, up over 480%.

This insane rally has caught the eye of several investors. The cryptocurrency has now surpassed its previous all-time high and continued to trend higher. And with a lot less skepticism from investors this time around, and many are wondering if the cryptocurrency is worth an investment in 2021.

Why Bitcoin has performed so well

There are several reasons why Bitcoin performed so well in 2020.

First off, the United States, as well as several other countries around the world, printed a tonne of money in 2020. While this was necessary to help avoid an economic collapse, it devalued the fiat currencies against several assets.

Gold prices rose considerably through 2020, as gold is the most common hedge investors use against inflation. Many other assets saw record prices by the end of 2020 as well, all primarily due to the devaluing of currencies.

Another reason why Bitcoin has done so well is the wider acceptance it's starting to get from the market. Not only are investors who have been cautious of the digital coin now reversing their commentary on Bitcoin, but several big-name investors and companies have been jumping on the bandwagon too.

This rapid increase in demand is what's caused the majority of Bitcoin's incredible 2020 gains. So with Bitcoin being an excellent long-term investment and more investors slowly looking to gain some exposure to the cryptocurrency, I would expect prices to continue to increase over the long term.

You can buy Bitcoin in your TFSA

As with any new asset, over time, there will be several ways for investors to gain exposure. In the past, if you wanted exposure to Bitcoin in your [TFSA](#) you would have to own a mining company.

Investing in cryptocurrency mining companies can be profitable. Still, they have a lot more risk than merely investing in the coin. Luckily for investors, there is a new investment, **The Bitcoin Fund** ([TSX:QBTC.U](#)), that gives investors exposure to owning the coin directly.

The Bitcoin fund has been incredibly popular since its launch. The only problem is that it's been so popular investors are overpaying considerably for their Bitcoin.

Don't overpay for your Bitcoin

For each unit of The Bitcoin Fund that you buy, you own the equivalent of 0.00111044 Bitcoin. That means as of Monday's close, each unit of QBTC.U was worth \$34.79. You can find this price listed on the [fund's website](#) at the close of trading each day.

However, despite each unit being worth just \$34.79, QBTC.U closed Monday's trading session at \$41.00. That means investors who have been buying QBTC.U lately have been overpaying considerably for their Bitcoin. At the close of trading on Monday, QBTC.U traded at an 18% premium to its actual value.

Bitcoin is a high-potential long-term investment, and investors should definitely think about gaining exposure. However, paying a 20% premium to gain exposure in your TFSA is excessive.

Bottom line

The significant premium to buy units of the fund is being caused by substantial demand for Bitcoin at the moment.

So, for the time being, investors should wait for the market price of QBTC.U to retreat toward its net asset value. Otherwise, you may want to think about gaining exposure to Bitcoin in some other way.

CATEGORY

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