



Warren Buffett: Avoid Bitcoin; it's Rat Poison!

Description

Disruptive technologies rarely see general acceptance and large-scale adaption in their early years. And even though Bitcoin is over 10 years old, it's disruptive nature and potential hasn't been accepted by many, including [Warren Buffett](#). His views on Bitcoin are even more extreme than his views on gold. Buffett said that Bitcoin doesn't do anything and just sits there, like a seashell or something.

These are almost the same remarks he made on gold. But he never compared the shiny metal to rat poison. He also compared Bitcoin to a button and speculated on its limited utility, equating it to a mere token. That's what Buffett's "beef" with Bitcoin actually is. He believes in good business and good assets, and in his view, Bitcoin is not an asset at all. It's just a token or a representation of something that's not tangible.

Is Bitcoin a bad investment?

According to Buffett, yes, Bitcoin is an abhorrent investment. However, he does accept the importance and value of blockchain, but his aversion to Bitcoin stands. But if you ask investors who bought Bitcoin in 2016 and still hold it, they would consider it an excellent investment. After all, few other assets can match its over 5,700% growth in five years.

So, why is Bitcoin a bad investment? The oversimplified answer to this question is volatility. If we take a broadminded approach to Bitcoin, we can agree that Bitcoin is a considerable asset, despite being intangible. After all, data has become the most valuable commodity, beating oil.

But the problem of volatility still remains. Since it's an intangible asset with limited supply (only 21 million Bitcoins can be mined), its market works on pure speculation and investor sentiment. Its value is what the market perceives it to be, and unlike another tangible asset that holds its value, the chances of Bitcoin coming down rapidly is significantly high.

Stick with fiat

Bitcoin is still ages away from universal adaption, so, meanwhile, you might want to bet on the fiat currency. One way to invest in the fiat's stability, buying up a stake in banks, preferably **National Bank of Canada** ([TSX:NA](#)). It has been one of the most rapidly growing stocks in [the banking sector](#) in the past five years. Its powerful capital growth potential also comes with a decent 3.9% yield.

National Bank is not part of the Big Five, but it still shares the stability of the sector. Like most others in the sector, it took National Bank the better part of the year to regain its pre-pandemic valuation, but it's finally there. In the last five years, the stock price has grown almost 98%, and the dividend-adjusted five-year CAGR comes out to about 17%.

It might be nothing compared to Bitcoin's growth rate, but it's significantly more predictable and dependable.

Foolish takeaway

Warren Buffett changed his mind about gold, but he is unlikely to do the same with Bitcoin. At least gold is a universally acceptable currency alternative and holds its value no matter where you go. Bitcoin, however, is facing legal issues in half the world. But if you understand the market and are willing to risk your capital to capitalize on Bitcoin's volatility, it might be a good way to add rapid growth to and diversify your portfolio.

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Date

2025/09/11

Date Created

2021/01/06

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