



## Should the Average Canadian Investor Bet on Bitcoin?

### Description

Bitcoin has been all the rage these days. Many young investors were minted millionaires amid the hot cryptocurrency's latest run. And while it's tempting to dip your toes into the crypto waters, given the slew of products out there ([ETFs, funds, miners like HIVE Blockchain, wallets, and all the sort](#)), I'd encourage you to take a step back and ask yourself why you want to get into such a speculative asset at these heights.

Sure, Bitcoin could very well roar past the US\$100,000 mark. Bitcoin's run may be far from over, and it could very well mint more millionaires who've embraced the digital age. Heck, ARK Invest's Cathie Wood seems to think that Bitcoin could be the new bonds. Many millennials seem to think it's the new gold, so why not? Bonds no longer make any sense to hold these days. And while Bitcoin has been a sexier alternative store of wealth versus the likes of gold, I'd urge you not to discount gold's track record, which spans thousands of years.

Bitcoin trades more like a stock and it's far more volatile than gold. Heck, it's more volatile than the most speculative of Canadian growth stocks! Nothing is stopping Bitcoin from crumbling overnight and with India mulling the ban of cryptocurrencies, with penalties for its miners, I think cryptocurrency bulls need to re-evaluate the new slate of regulatory risks. What's stopping ex-Fed-chair Janet Yellen from pulling the plug on Bitcoin? An implosion in Bitcoin would cause miners, funds, and ETFs to crumble like a paper bag, as it did a few years ago when the crypto trade went up in smoke.

## More people are embracing Bitcoin: Why shouldn't the average Canadian investor?

Some very smart people are embracing Bitcoin, even at these heights. Tech pioneers like Tesla's Elon Musk are getting in, as too is fintech rock star, Jack Dorsey. Top-performing money manager Cathie Wood likes Bitcoin, as does legendary venture capitalist Chamath Paliapitiya, a man some refer to as the next Warren Buffett.

Your favourite retailers may now be accepting Bitcoin as a means of payment, with more on the way.

While the acceleration in cryptocurrency's adoption is hard to ignore, I still find few reasons to overweight oneself to the asset. Why? The asset has drawn in a tonne of speculators in its latest run. Armed with stimulus cheques, many young people may find themselves guilty of chasing anything that can provide them with a high chance of getting rich over the near term.

In the world of investing, it's all about the long term. If you seek to maximize your upside-to-timespan ratio, you'll be at risk of moving past the line between investment and speculation or gambling. If you don't see yourself holding onto or buying more Bitcoin if it were to lose a majority of its value, it's probably better that you enjoy the show from the sidelines, as only the early strong hands will make money in Bitcoin at the end of the day. Even if you've got strong hands, it may be too late to get in.

## What about cryptocurrencies as a diversifier?

I'm against buying cryptocurrencies, **Bitcoin Funds**, ETFs like the **CI Galaxy Bitcoin ETF**, and all the sort if your only goal is to strike it rich.

If you're looking for a [portfolio diversifier](#) beyond gold, however, you have my blessing to buy a bit of Bitcoin or any other cryptocurrency with less than 5% of your wealth, but only if you understand the rules of the game and are not going to dump your holding after a crash, as most others will.

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