



3 Facts You Should Know Before Investing in Bitcoin

Description

Are you planning to invest in Bitcoin (BTC) anytime soon? I'm not surprised that many people are itching to venture into the cryptocurrency space. The world's most popular digital currency is on an out-of-this-world bull run. From \$10,102 a year ago, the price is now \$69,404.82. The 587% increase is outrageous.

Those who invested on December 31, 2020, are winning by 88% — a remarkable year-to-date gain. The get-rich-quick mentality consumes many due to BTC's impressive resurgence in 2021. You can become an overnight millionaire like the others a few years back. Rabid crypto followers believe the [meteoric rise](#) is no longer hype.

They say it makes more sense to invest in BTC today, because more institutional investors are taking positions. Wider adoption will add stability to the highly volatile cryptocurrency market. Still, BTC isn't for regular or average investors. If you don't [know the facts](#) about cryptos, avoid the temptation.

1. Too risky

Bitcoin is a highly volatile, hazardous investment compared to traditional or mainstream investments. The events of 2017 to 2018 should scare you. The price soared like it's soaring now. It reached as high as US\$20,000 before collapsing in late 2017. BTC lost one-third of its value in one day.

Understand that for this crypto, the big returns you expect could be bigger losses in the end. Despite payment giants like **Square** and **PayPal** having Bitcoin holdings, the digital asset is highly speculative.

2. Hackers are lurking

Bitcoin has technology risks and could be the target of scammers. The blockchain technology that supports BTC is hard to hack, but you can't discount the possibility of theft and fraud. Remember that Bitcoin trades through digital currency exchanges and is stored in digital wallets. Hackers can access users' wallets to steal their coins.

3. Lacking regulation

The legal status of BTC remains vague. Unlike conventional currencies, cryptocurrencies aren't legal tenders. No central bank or monetary authority has control or supervision over Bitcoin yet. The lack of regulation can influence the price. Furthermore, if governments crack the whip or tighten the screws, Bitcoin could crash.

Matching Bitcoin's performance

If you're unaware, **Hut 8 Mining** (TSXV:HUT) mirrors Bitcoin's 2021 performance. The crypto stock's year-to-date gain is 76.22%. You don't need substantial capital to invest because the price is only \$6.21. A year ago, it was trading at only \$0.97 per share. Again, the 540% year-over-year gain resembles Bitcoin's bull run.

Hut 8 Mining has a market capitalization of \$707 million, and the company engages in an industrial-scale Bitcoin-mining operation. Its mining operations are in AC data centres in Medicine Hat (56 BlockBox AC) and Drumheller (38 BlockBox), both in Alberta.

Management recently purchased **NVIDIA's** cryptocurrency mining processors. The US\$30 million outlay should increase Hut 8's aggregate operating rate significantly. Because this crypto stock trades on the TSX, there's no absence of regulation. Also, you eliminate the tech risks since you don't need to create an online wallet to store your digital token.

Safer than BTC

If you can't afford to lose your money, stay clear of the world's most popular digital currency. Marvel at its parabolic rise but keep your money in your pocket. If you insist, Hut 8 is the next-best alternative to Bitcoin.

CATEGORY

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