



Bitcoin Down 20%: 2 Canadian Bitcoin Stocks for Your TFSA

Description

Bitcoin fell 20% after reaching a high of over \$79,000 on April 16. Other altcoins like Ethereum also fell over fears that U.S. president Joe Biden [might increase](#) the capital gain tax (after including surtax) for the rich to 43.4%. This is higher than the highest federal tax rate on wage income. However, this fear has created a buying opportunity for those who want to invest in crypto. I am not a supporter of BTC, as it was a regulatory crackdown that led to the fall of crypto mania in 2018. But I do agree there is no harm in putting a very small fraction of your portfolio in BTC for the sake of diversification.

A smart way to invest in Bitcoin

Bitcoin is an unregulated currency not issued by a central bank or backed by a government. Hence, you can't hold it in your stock trading account nor buy it through the tax savings account. This makes buying BTC directly a taxing investment, especially when capital gains tax is rising.

Instead of buying BTC, you can buy the stocks of companies that facilitate Bitcoin mining. You can buy these stocks for less than \$5 and trade them like any other stock. Here are two crypto mining stocks you can buy through a Tax-Free Savings Account (TFSA). This can give you exposure to BTC and save you from taxes if Canada cracks down on crypto gains.

BitFarms

BitFarms (TSXV:BITF) is one of the largest, oldest, and most cost-effective mining companies. Its five industrial-scale facilities are 100% powered by hydropower. As of April 16, it has over 650 Bitcoin in reserve, and it adds around 7.5 BTC per day to inventory. BitFarms is purchasing new-generation mining equipment and repairing existing equipment to increase its production to approximately 9.5 BTC per day.

How do the above numbers matter to you as an investor? A crypto mining farm earns revenue from the value of BTC it mines and stores in reserve. It sells some of the BTC reserves to expand the operation. It also earns a transaction fee for verifying transactions across the blockchain.

A crypto farm's expense includes the cost of buying computing equipment, electricity, and cooling bills. The mining farm improves its revenue by upgrading its computing power and finding cheaper alternatives for electricity and cooling. The high electricity consumption has raised concerns around the carbon footprint of Bitcoin mining. Hence, mining companies are looking for renewable energy and other low-carbon alternatives.

BitFarms stock fell 18.7% since April 15, as BTC fell 20%. If you believe this is just a temporary dip and BTC will surge and make a new high, this is the right time to buy the stock.

Hive Blockchain

Hive Blockchain Technologies ([TSXV:HIVE](#)) is another good alternative to BTC. It has data centre farms in cold countries like Canada, Sweden, and Ireland, which reduces its cooling costs. While it mines BTC, it also mines other currencies like Ethereum and Ethereum Classic. Hive stock fell 25% since April 15 because of its exposure to BTC and ETH.

Between Hive and BitFarms, Hive has the longest trading history since November 2010. (BTC was first mined in 2009.) During the 2017 crypto frenzy, Hive stock jumped 2,670% between May and November 2017 but then fell 40% in less than a month and kept falling.

In the recent crypto wave, Hive stock surged 1,207% between November 2020 and February 2021. Since then, Hive stock has only been falling (down 48%), even though BTC price surged twice, making a new high in both instances. Similar is the case with Bitfarms. This is because Dogecoin gathered momentum thanks to all the popularity it gained from Elon Musk's memes. Hence, all the attention shifted to Dogecoin, which is easier and more cost effective to mine than Bitcoin.

Bitcoin takeaway

Between Dogecoin and BTC, the latter has more utility as many corporates like **AT&T** and **Square** have come to accept it as a form of exchange. Remember, BTC or any other cryptocurrency hold a huge [risk](#) of downside, as their prices largely depend on demand and supply and media coverage. So, invest only the amount you are ready to lose.

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