



Is Bitcoin a Good Alternative Investment?

Description

The crypto frenzy started in November 2020, and within months, Bitcoin and Dogecoin attained a market valuation of \$1.28 trillion and \$97 billion, respectively. Such growth mania tempts you to buy the crypto but also cautions you of the downside. Then you see names like **Goldman Sachs** and Warren Buffett [criticizing](#) crypto, while Elon Musk and **Square's** CEO support it.

The only way to resolve this conundrum is to listen to both sides to understand why it could be the future currency and what could harm its future.

Is Bitcoin the future global currency?

The whole concept of currency is trusting that it has value. In the old days, a majority of people trusted that gold and silver have value and hence exchanged it in return for goods/services. Gold gradually took the form of paper currency. Banks kept gold and gave paper currency in return. At any point, you could go to the bank and claim gold in return.

But in 2009, banks gave up gold and started printing unlimited paper currency by promising that they will be responsible for the value. This promise led to the emergence of fiat currency. But it gave central banks too much power, as they could print any amount of money. All they have to do is maintain an account of who owns what. This led to several banking scams.

Then came digitization; banks do need not even to print paper currency. They can transfer the amount and maintain ledgers of who owns what. Building on this concept, Bitcoin aims to become an alternative to currency and have a storage value like gold. Elon Musk and other hedge funds got interested in BTC, because it does the same thing as fiat currency but without any centralized power. Moreover, BTC supply is limited to 21 million. The ledger of who owns what is decentralized. This means any computer trading BTC can see and update the ledger. No central authority has the power, securing the ledger from hackers.

What is the regulatory risk with cryptocurrency?

But the decentralized ledger system does not make BTC immune to scams and money laundering. You can see who owns how many BTC, but this “who” is an account number. You don’t need Social Insurance Number to create an account. Hence, BTC is a pseudo-anonymous way of transaction, which ensures your identity is secure. But it is also a plus for terrorist funding and money laundering.

Hence, there is a regulatory crackdown whenever BTC and other cryptocurrencies surge, which causes a sell-off. Now, how crypto does rise? It has nothing to do with the economy or monetary policy. Crypto rises or falls because of demand and supply. The demand shows how much trust people have in the digital coin and how little trust they have in fiat currency. That is the case with gold as well.

In the 2009 crisis, when people started losing trust in banks, they switched to gold. In the 2020 crisis, people switched to BTC after seeing the amount of fiat currency the government released in stimulus checks.

Then you have hedge funds and Elon Musk popularizing digital coin as the global currency of the future, and people trust them. The decentralization of money will give power to people. Issues like money laundering exist with crypto, but they exist with fiat currency, too. Still, people trust fiat currency because there are regulators. All digital coins need is a regulator who can do a better job at catching money launderers.

So, instead of being worried about a regulatory crackdown, people who are using BTC as an investment should embrace it, as that will protect their investment.

Should you invest in Bitcoin?

People invest in gold as an alternative to fiat currency. Now they can [invest in BTC](#) through the **Purpose Bitcoin CAD ETF**. Directly buying BTC could be risky, as you may not be able to liquidate it or face issues with crypto exchange. But the ETF buys and stores BTC and gives you exposure to the price fluctuation. With this ETF, you can invest in BTC, even if you don’t understand crypto exchange, and easily liquidate it in fiat currency.

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