



Which Is a Better Buy: Bitcoin or Gold?

Description

Bitcoin was popularized as digital gold. Many investors who invest in gold started considering BTC as an alternative to hedge against inflation. Even the Canada Revenue Agency (CRA) considers BTC as a commodity for tax purposes.

Just like gold, you can get exposure to BTC price fluctuation without having to hold it in digital form. Canada has many BTC mining stocks and Bitcoin ETFs that give you exposure to BTC's price. However, there are no futures and options, nor do BTC mining stocks pay dividends.

Despite the similarities, BTC is slightly riskier than gold. But it also gives better returns than gold. Before deciding which is a better investment for you, gold or Bitcoin, look at the risk-reward ratio.

Gold: The yellow metal

Gold is a precious metal and derives most of its value from storage. It has value, because it was used in ancient times as a means of exchange. But because gold was difficult to carry, banks sprung up and led to the modern-day financial system. Banks issued paper currency in return for gold. The only way banks could print money was if they kept an equal amount of gold reserve or foreign currency reserve. This way, gold achieved the status of safe haven and a hedge against inflation whenever the economy was not doing well.

Between January 2001 and 2011, the gold price surged 430%. But then the precious metal went into a long-term downturn, as the 2009 financial crisis led to the rise of fiat currency. The governments were printing money without any gold underlying. Hence, it is natural that people stopped turning to gold as an alternative investment.

The rise of the fiat currency created an excess money supply. But gold is not a viable solution. As the world moves towards digitization, a digital coin solution is the need of the hour.

Bitcoin: The digital manmade gold

In 2009, Bitcoin was developed to serve as a means of exchange and a store of value. In a lifetime, you can only mine 21,000 BTC. It will become harder to get BTC as more people mine the coin. With limited supply, it serves the purpose of gold. But what it needed was a larger acceptance by people, governments, and regulators as a form of exchange.

Hedge fund managers and corporations started investing in BTC and gold in November 2020 as an alternative investment. This gave way to BTC's acceptance as a means of exchange. It still has a long way to go, as regulators fret over the use of BTC in money laundering and terrorist funding. However, securities exchanges are gradually accepting BTC as a form of investment, which is a good sign.

Purpose Bitcoin CAD ETF ([TSX:BTCC.B](#)) is Canada's first BTC ETF, and it has led to the launch of two more ETFs. This shows that BTC is here to stay, unless there is any big event.

When should you consider investing in Bitcoin?

While BTC has potential, it is volatile and risky. A regulatory crackdown could send BTC price crashing down like it did in 2017. Before considering [investing](#) a certain amount in BTC, ask yourself the following question:

- Can I afford to lose 80% of the money I invest in BTC if it crashes?
- Can I stay invested in BTC for the long term, even if it crashes?
- Do I have sufficient fundamental savings, and is BTC only an alternative investment?

If the answer for all three is yes, you are ready to invest that amount in BTC. Remember, even **Tesla** invested only 7.7% of its US\$19.4 billion in cash reserve in BTC. Don't look at the dollar amount of US\$1.5 billion Tesla [invested](#); look at the percentage. Consider investing in BTC either for a very long term or as a speculative bet.

How to invest in Bitcoin

The problem with all forms of alternative investment is liquidity. They are not easy to sell. But you can overcome this issue with the Purpose ETF, which buys and stores BTC and gives you units. You can trade these ETF units like a stock on the stock exchange. As of May 7, it has 18,899.19 BTCs, and each unit of the ETF represents 0.0001696 BTC.

CATEGORY

1. Investing
2. Metals and Mining Stocks
3. Personal Finance

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:BTCC.B (Purpose Bitcoin ETF)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing
2. Metals and Mining Stocks
3. Personal Finance

Tags

1. Editor's Choice

Date

2025/08/13

Date Created

2021/05/11

Author

pujatayal

default watermark

default watermark