How to Avoid Losing Money in Bitcoin and Dogecoin

Description

Crypto mania comes every three to four years. This mania makes only a few people rich, while millions of people lose money. Call it beginner's luck or strategy, you might have made money in the crypto mania. But remember, you can also lose this money. Bitcoin and Dogecoin are not something long-term investors buy, unless they are super rich like Elon Musk. **Microsoft** founder Bill Gates even said that you should invest in Bitcoin only if you have more money than Musk. And Musk is the second-richest man in the world.

The risk of losing money is higher than the chance of gaining

Never try to time the market, unless you are a whale. In the investing world, a whale is an investor who trades in bulk and holds the power to move the market. You may say that the rules of crypto are different, as they are unaffected by the economy. But the investing and trading rules are the same for crypto and stocks.

Bitcoin was proposed as an alternative to fiat money, as it gave banks the power to print money. The whole concept of crypto was to distribute the power and let demand and supply lead the market. But the rich are getting richer. Recently, there was news that a whale holds US$22 billion worth of Dogecoin, which is 28% of Dogecoin's total supply.

Too much power in the hands of a few

Dogefather Elon Musk tweeted in February that "too much concentration is the only real issue." He even agreed to pay these whales fiat money to reduce their Doge holdings. Why is concentration an issue? If the whale offloads their coins in the market, the Doge price could crash.

Concentration is a risk even in the stock market. But then regulators don't let this power concentration go unchecked. If a whale acquires a 5% equity stake in a company, they have to disclose the holdings. Moreover, if a whale tries to buy out a company's shares in the open market, the company has regulatory protection.

But as there are no regulatory controls other than market forces in the crypto world, a whale can keep gobbling up these digital coins. In the blockchain, traders only see the trading address of the whale. There is no way to find who this whale is unless they reveal themselves. This is because you don't need a social insurance number to open a crypto trading account.

How to avoid losing money from Dogecoin and Bitcoin

Even if it is not the whale, Musk has too much power to influence traders. His recent tweets pulled BTC and Doge down 30%. Protect your money from such dips that come from Musk's mood swings.

Invest less than 5% of your portfolio in crypto. Staying invested in crypto for the long term is not a wise decision. Set a realistic target you expect from the crypto coin, and once it hits the price, sell some of your holdings. If you keep booking regular profits, you will recover your contribution, and what will be left invested are only profits.

Diversified portfolio

The next step is to invest a higher amount in stocks with fundamental growth. As crypto has highlighted the need for renewable energy, you might want to consider **Northland Power** (TSX:NPI). It has 2.5 GW of renewable energy projects, including offshore wind and solar power. The company has another 1.5 GW of projects under construction. It is benefitting from government support and subsidies for wind energy.

Many Bitcoin mining farms use renewable energy. The growing popularity of crypto will bring in more investment in renewable energy. This is a good time to buy Northland Power stock while it is down 10% year to date.

Even if BTC mining is not the trigger, electric vehicles (EV) will be. The United States is spending on deploying electric charging stations. And the electricity for EVs will likely come from renewable source, as EV demand is the outcome of the zero-carbon-emission goals. Its 3% dividend yield will also grow in the future as its cash flow increases.

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