



TFSA Investors: You Can Now Add Bitcoin and Ethereum to Your Portfolio

Description

The Tax-Free Savings Account (TFSA) is a flexible registered account that is fast gaining popularity among Canadians. The TFSA was introduced back in 2009, and any withdrawals from this account are exempt from Canada Revenue Agency taxes. These withdrawals can be in the form of capital gains, interests, or even dividends.

These factors make the TFSA an ideal account to hold high-growth instruments. The contribution limit towards this account stands at \$6,000 for 2021, and the cumulative contribution limit is \$75,500. So, if you manage to turn your contribution of \$6,000 into \$60,000 or more, you can withdraw all your profits without paying a single penny to the CRA.

Investors who are just starting out and have a high-risk appetite can consider adding cryptocurrencies to their TFSA portfolio. These digital assets have been some of the top-performing investments in the last decade.

For example, the prices of Bitcoin have soared by 6,600% in the last five years, while Ethereum is up a monstrous 19,000% since the end of July 2016. Due to the widespread adoption of cryptocurrencies in the past year, several ETFs or [exchange-traded funds](#) have been launched that track these digital assets. We'll look at two such ETFs that can be part of your TFSA.

3iQ Coinshares Ether ETF

3iQ is Canada's largest [digital asset fund manager](#). It manages around \$2 billion in total assets, while CoinShares leads the digital asset fund management space in Europe with US\$2.5 billion in assets under management. The **3iQ CoinShares Ether ETF (TSX:ETHQ)** is an open-ended fund that trades on the TSX and provides exposure to Ether. The ETF has a management fee of 1%, and its management expense ratio will not exceed 1.25%.

It aims to track the price of Ether, which is the second-largest cryptocurrency in the world in terms of market cap. This digital asset has multiple use cases, and its blockchain platform is widely used for decentralized finance (DeFi) and NFT (non-fungible tokens) projects.

The recent pullback in Ethereum provides investors with a buying opportunity, especially if you are bullish on the crypto space in the long term. Further, the ETF might seem attractive to contrarian investors, as Ethereum prices are down 50% from record highs.

The 3iQ Coinshares Ether ETF was launched in April and touched a record of \$21.74 in mid-May. Its currently trading at \$11.88, at the time of writing.

Purpose Bitcoin ETF

Bitcoin is the world's most popular cryptocurrency and is currently valued at a market cap of US\$745.8 billion, at the time of writing. You can hold Bitcoin in your TFSA by purchasing the **Purpose Bitcoin ETF**. One of the largest asset management companies in Canada, Purpose has over \$10 billion in AUM.

The Foolish takeaway

Bitcoin and Ethereum remain high-risk assets due to the lack of regulation. It means the prices of cryptocurrencies can easily be manipulated by larger players and burn the wealth of retail investors. Alternatively, institutions all over the world are adopting Bitcoin as a means of payment, which should increase demand and liquidity in 2021 and beyond.

Due to massive volatility, investors need to set aside a small amount of capital that they can afford to lose and gain exposure to Bitcoin as well as Ethereum right now.

CATEGORY

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