



Are Cryptocurrencies Safe to Invest in?

Description

The incredible potential of cryptocurrencies has been evident for some time. However, it hasn't been until recently that more investors and companies are paying attention to the incredible opportunities offered by blockchain technology.

For years, the use cases of **Bitcoin**, for example, seemed minimal. It was highly volatile, so businesses didn't want to accept it as a currency and, therefore, it wasn't very popular.

Early on, most wrote it off as a speculative investment or a currency that's only useful to launder money. In reality, while Bitcoin has emerged to become the clear and most dominant cryptocurrency, making up about 40% of the total [market cap](#) of all digital coins, that's not the most important result of its creation.

The idea of Bitcoin and blockchain technology sparked tonnes of new potential and innovation from visionaries and developers, leading to many new opportunities as more real-world problems are being solved.

But does that mean it's safe to invest in cryptocurrencies?

Is it safe to invest in cryptocurrencies?

As with anything new, and as with anything that offers the potential for tremendous growth, there are some risks. However, in reality, anything can be risky if you don't do your homework. So, no matter what, it's crucial to understand what you're buying and why you're doing so.

When specifically thinking of the risks of investing in cryptocurrencies, volatility is likely the first thing that comes to mind. These assets can be extremely volatile. They move much more than stocks in a day and can fall quite rapidly.

They also trade 24 hours a day, so it's possible to go to sleep and wake up with your investments down a significant amount. However, volatility can be minimized by investing in high-quality assets and

by planning to hold them for the long term.

What are the main risks besides volatility?

In addition to [volatility](#), another considerable risk is that cryptocurrencies aren't yet regulated. Not only does that mean that there is the potential for more fraudulent behaviour, but, in theory, as we've seen in China, they could be outlawed or heavily regulated in the future.

Although, with cryptocurrencies like Bitcoin becoming legal tender in El Salvador now, that's less of a concern today.

Another risk is the complicated nature of the process. Buying cryptocurrencies and transferring them to a wallet can consist of several steps that may not be so straightforward. In addition, a simple mistake, such as sending cryptocurrencies to the wrong address, could result in the loss of funds forever.

There is also the potential for a lot of scams and other fraudulent behaviour. There are consistently new stories of cyber attacks or phishing scams where investors have their wallets drained, resulting in the loss of most or all their investments.

This is why sending your cryptocurrencies to your wallet is crucial, and even that doesn't always guarantee safety. If you keep your cryptocurrencies on an exchange, though, you don't actually own them yourself, and at any point, the exchange can just shut down and take your money.

This is why it's also crucial to research the exchanges and any other apps you connect to your wallet to make sure they are reputable.

How to safely invest in cryptocurrencies

While this isn't meant to turn you off from the sector, as it offers so much long-term potential, it is meant to be a stern warning that it's crucial to do a tonne of research before you invest in the cryptocurrency industry.

Another option would be to consider cryptocurrency stocks, which not only perform all the complicated work for you but are also heavily regulated.

There are ETFs, such as the **CI Galaxy Bitcoin ETF**, that provide you with direct exposure to the most popular cryptocurrencies like Bitcoin.

Or you could buy stocks that are operating in the crypto industry, such as **Galaxy Digital**. Galaxy is a financial services stock that serves the ever-growing cryptocurrency industry. It has multiple segments and an incredible management team that has positioned it to grow with the industry.

While it can be overwhelming trying to research these stocks at first, there is so much potential in the sector that spending the time to understand each investment will be well worth it.

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