USDC vs. USDT: Is There a Difference Between the 2 Stable Coins?

Description

If you've ever looked at a list of some of the most valuable cryptocurrencies, two of the top coins include **USD Coin**, which has the symbol USDC and **Tether**, which is USDT. However, you'll also notice that these cryptocurrencies are always worth US$1, because they are what's called stable coins.

There are several advantages to owning or at least having access to stable coins, which is part of the reason why these two are both in the top eight of cryptocurrencies by value and have a combined market cap of more than US$120 billion.

But even though these stable coins are exactly that, stable, and should always be worth US$1, there are some considerable differences to consider.

And while they are meant to represent the greenback, they are still cryptocurrencies, which means it's crucial to understand how they work before you consider gaining exposure.

So, here are the main advantages of owning stable coins like USDC and USDT as well as the major differences between the two.

Having stable coins is a major advantage for crypto investors

One of the biggest drawbacks of the cryptocurrency industry that you still hear investors complain about today is that cryptocurrencies are too volatile. This has been one of the biggest knocks on the sector ever since **Bitcoin** was created and the argument against using it for payments began.

And even though, over time, the industry has become less volatile, it's still significantly more volatile than stocks and considerably more volatile than most currencies.

This is why stable coins were created. Once your cash is into the crypto universe, it can be difficult, costly, and can have tax consequences whenever you cash out to a bank.

So, stable coins were created so that you could sell out of highly volatile crypto investments and seemingly hold an asset that won't lose value, without having to pull your cash out of the crypto universe and potentially trigger a taxable event.

In addition, exchanging a cryptocurrency you own for a stable coin can be much faster, easier, and less costly than fully selling out of your crypto investments.

So, stable coins like USDC and USDT offer some considerable advantages. But as I mentioned before, they still come with some risks that are crucial to understand.

What are the risks of USDT and USDC?

As with any fiat currency, USDT and USDC have value because we believe they are worth US$1. Of course, there is supposed to be a real dollar for every USDC or USDT dollar in existence. However, there have been concerns lately about how difficult it can be to audit these companies, especially Tether. That should be a reminder to investors that there is no guarantee these stable coins will always be worth US$1.

For this reason, many investors are now more inclined to use USDC, since it's been more transparent about its reserves. But even USDC isn't perfect, as the company that created the coin could potentially go out of business which would significantly impact the confidence in USDC.

If the market was to lose confidence in either USDC or USDT, there could be a run on these companies, which could cause more issues if there isn't sufficient fiat currency backing these stable coins.

However, this is an extreme scenario, but it's one to keep in the back of your mind. Many investors utilize the advantages of stable coins. As I mentioned before, just USDC and USDT alone make up over $120 billion of the cryptocurrency market. That's nearly 5% of the entire value of cryptocurrencies.

So, although stable coins are more of a tool for investors, and the risks they present are extremely minimal, what this should remind you of is that even an innovation as simple as stable coins still need to be researched. Before doing anything with your capital, you need to understand all the risks.

The cryptocurrency industry is exciting and full of new ideas that are designed to solve solutions. However, it can be quite complicated and difficult to understand. So, before you invest any of your capital, it's crucial to do as much research as possible and ensure you understand where exactly your money is going.

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