



Solana Cryptocurrency: Could it Be the Next ETH?

Description

Solana cryptocurrency is off to a rocky start in 2022. As of this writing, it was down 17% for the year. While this small dip doesn't take away from SOL's 3,750% one-year return, it is a bit of a downer for those who got in late. 2022 has been a weak year for cryptocurrency overall, with Bitcoin tumbling and most alt-coins falling along with it.

Nevertheless, SOL has a lot of potential. With fast transaction times, low fees, and a great long-term chart, many crypto investors think it has promise. In fact, there are some who think that SOL could be the next **Ether** (ETH). ETH is the cryptocurrency of choice for the NFT community, and it fared better than Bitcoin did last year due to this wildly popular use case. As it turns out, SOL has an NFT community of its own, and it has some technical similarities to ETH as well. In this article I will explore SOL's advantages, to try to determine whether it could indeed become "the next ETH."

SOL's advantages over ETH

Solana has a number of advantages that lend credence to the idea that it could eventually overtake ETH. These include:

- Faster transactions
- More transactions per second (although an [ETH update is coming](#) that should be able to handle more than SOL can)
- Cheaper transactions
- A smaller market cap, which could lead to faster gains

These advantages are worth keeping in mind. It does look like the "faster transaction time" thing will become less of a factor [when ETH 2.0 comes out](#). The update promises to deliver 100,000 transactions per second, which easily beats SOL's 50,000. Nevertheless, SOL currently offers some fast, affordable transactions compared to ETH.

SOL's disadvantages

Despite the advantages it has over ETH, SOL has some disadvantages as well. These include:

- A less decentralized network
- More potential volatility
- The loss of the transaction time advantage when ETH 2.0 comes out

These are all disadvantages inherent to Solana itself. There's also an indirect disadvantage, which is the lack of pure-play SOL ETFs. If you want to avoid paying taxes on ether, you can buy ETH ETFs like the **Purpose Ether ETF** ([TSX:ETHH](#)), and hold them in your TFSA. Such ETFs give you stock market traded exposure to ether. For a small 1% annual fee, you gain the ability to shelter your ETH from tax. The 1% fee that ETHH charges is much less than the up to 25% you could pay on crypto capital gains. So, ETH is potentially a very tax efficient investment. The same can't be said for SOL, which is not held by any pure-play ETFs yet.

Foolish takeaway

Ether is the rising star of the crypto world. Powering the NFT revolution, delivering many technical innovations, and rapidly catching up with **Bitcoin's** market cap, it's ahead of the curve. At this point, nobody can tell where this is headed. But if ETH's momentum is any indication, it should stay ahead of Solana for the foreseeable future.

CATEGORY

1. Cryptocurrency
2. Investing

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1. CRYPTO:SOL (Allbridge Bridged SOL (Near Protocol))
2. TSX:ETHH (Purpose Ether ETF)

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