



3 Reasons I Still Don't Invest in Cryptocurrency

Description

Cryptocurrency had a great year last year. **Bitcoin** ([CRYPTO:BTC](#)) rose over 70%, and some smaller alt-coins like **Dogecoin** rose by thousands of percentage points. Overall, it was the best year for crypto since 2017, when BTC rose 1,000%. In fact, some coins delivered returns even better than those seen in 2017, like **Shiba Inu Coin**, which rose 49,000,000% last year (that's not a typo).

Basically, it was all joy and euphoria in the crypto space in 2021 — at least for the first half of the year. Most coins set new highs, although they started giving up their gains in November, around the same time that tech stocks began crashing. Today, Bitcoin is flirting with \$30,000 — the lowest level it went to on its last leg down.

Many cryptocurrency fans are taking this as a buying opportunity. Personally, I'm sitting this round out. While crypto could rise from its current level, it could also continue to fall. As an asset class with no fundamentals and, therefore, no margin of safety, there is no telling where crypto could go from here. In this article, I will outline three basic reasons why I don't invest in cryptocurrency, starting with the most pressing.

Reason #1: There are so many of them

One reason why I don't invest in cryptocurrency is because the supply of crypto is rising at such a rapid pace. At least one source claims that there are [over 16,000 cryptocurrencies in 2022](#), and more are being created every day. Anybody with enough programming knowledge can create a cryptocurrency, so there is no practical limit on the supply. Not only does this make a random basket of individual cryptocurrencies less valuable over time, it also makes it hard to identify individual currencies that will outperform.

To find the "next Bitcoin," you need to sift through a universe of thousands of cryptos. It's not going to be easy. In the meantime, Bitcoin itself is unlikely to deliver returns like it did in the early days, because it now has a \$685 billion market cap.

Reason #2: Transaction times appear to be very long

Another issue I have with cryptocurrencies is that a lot of them seem to have unfathomably long [transaction times](#). Bitcoin transactions are theoretically supposed to take 10 minutes to complete, but I've heard of people waiting much longer than that. At any rate, even with a 10-minute transaction time, Bitcoin is much slower than bank transfers. This puts a bit of a dent in the theory that crypto is the future of money, and I don't like the idea of betting on an asset that has nothing going for it but past momentum.

Reason #3: The fees

Last but not least, we have the matter of fees.

Cryptocurrency fees can sometimes be extremely high. In 2021, when the NFT craze was riding high, people were reportedly paying "gas" fees as high as several hundred dollars per transaction. For the most part, these were multi-thousand-dollar transactions incurring these huge fees, but you can send an e-transfer for nothing or an international wire transfer for a flat \$17. It doesn't look like crypto can beat traditional banking when it comes to fees.

For all of the reasons outlined above, I'm staying away from crypto for now. Between slow transaction times, high fees, and an ever-growing supply of coins, there are too many cons for me to make the leap of faith.

That doesn't necessarily mean that you shouldn't. If you have a high appetite for risk, you could buy a crypto fund like **Purpose Bitcoin ETF** and shelter it from taxation in your TFSA. This spares you the enormous capital gains tax that crypto profits are usually subject to, and you pay only a comparatively small 1% fee for the right to tax-shelter your crypto. The downside is that if Bitcoin goes down, the 1% fee causes an even greater loss in BTCC.B. To each their own.

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