



## Cryptocurrency: Are Alt-Coins Riskier Than Bitcoin?

### Description

In crypto circles, it's not uncommon for people to tout the virtues of **Bitcoin** ([CRYPTO:BTC](#)) over all other coins. Citing its tried-and-true nature, they say that it would be better for the crypto community if everyone held Bitcoin instead of alt-coins. Ever since crypto was invented in 2009, we've seen an ever-increasing supply of Bitcoin competitors. Through all of it, Bitcoin has largely maintained its upward trajectory, rising in more years than it falls.

One of the reasons "Bitcoin maximalists" prefer Bitcoin over all other cryptocurrencies is because concentration helps boost the price. If everyone holds Bitcoin instead of spreading their money across a number of coins, then BTC's price will go up more. Another reason has to do with volatility. Bitcoin is less volatile than other cryptos, its proponents say; therefore, it is less risky. In this article, I will examine that claim in detail, by looking at Bitcoin's volatility compared to smaller cryptocurrencies.

### The case of Solana

One crypto that we can compare Bitcoin to its **Solana** ([CRYPTO:SOL](#)). SOL is an **Ethereum**-like crypto that can be used to make smart contracts and other applications. It's purported to be faster and cheaper than ETH, so it may eventually gain traction and be used for more applications.

SOL's standard deviation is about 6.18. That's derived by [taking its variance](#) (38.24) and finding the square root. These are pretty high numbers for variance and standard deviation. For reference, the Dow has a standard deviation of just 0.83. So, SOL is riskier than the Dow. How does it stack up compared to Bitcoin?

### What about Bitcoin?

Bitcoin is, like Solana, far riskier than the Dow. With a standard deviation of 3.5, it is far riskier than the average stock. It certainly bests SOL in terms of volatility, though, as its standard deviation is far lower. On the flipside, its returns in recent years haven't been as strong. As of December 23, Solana was [up 9,600% for 2021](#). Bitcoin wasn't even up 100% at that point. So, SOL, with its smaller market cap,

has the potential to outperform Bitcoin when it does go up.

## Tax considerations

Another thing you want to factor in when comparing Bitcoin to alt-coins is tax status.

Bitcoin can easily be sheltered from taxation by holding it in the form of **Purpose Bitcoin ETF** ([TSX:BTCC.B](#)). Purpose is a Bitcoin fund that you can hold in a TFSA, sparing you any and all taxes. The fund charges a 1% fee, but capital gains tax can go as high as 26% in some provinces. So, if you realize a large gain, then BTCC.B may enjoy a higher after-tax return than direct Bitcoin holdings do.

This is much harder to do with Solana and other alt-coins. While there are some stock market tradeable Solana funds, like **VanEck Vectors Solana Exchange-Traded Note**, they aren't tradeable in all countries. According to VSOL's fact sheet, the fund is not available in Canada (indeed it did not show up in my brokerage account when I searched for it). So, Bitcoin funds are much more widely traded, more liquid, and more available than SOL funds. That gives BTC an edge when it comes to TFSA tax sheltering.

### CATEGORY

1. Cryptocurrency
2. Investing

### TICKERS GLOBAL

1. CRYPTO:SOL (Allbridge Bridged SOL (Near Protocol))
2. TSX:BTCC.B (Purpose Bitcoin ETF)

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