



Solana Is Plummeting—Should You Buy or Avoid?

Description

Solana ([CRYPTO:SOL](#)) has been in a freefall over the last month, having gone from US\$174 on December 30 to US\$94 on Sunday—a 45% decline. There were no specific catalysts to explain the bearishness in SOL during the period. January was a weak period for the markets overall, with stocks and crypto both falling steeply. The NASDAQ slid 13% in the first 28 days of January, and crypto fell even more than that. For the month of January, **Bitcoin** slipped by 19%. It appears, then, that Solana mainly fell due to worsening sentiment toward the markets as a whole. Cryptocurrencies are all correlated with each other, and have been correlated with tech stocks recently too. So, it shouldn't be surprising that Solana sold off in January. The asset class it belongs to sold off as well.

That still leaves open the question:

Is Solana a buy?

Solana is a cryptocurrency with many built-in advantages. With fast transaction times, low fees, and an engaged developer community, it is one of the most talked-about cryptocurrencies out there. It is currently the seventh biggest crypto by market cap, fifth if you don't include stable coins. So, on paper, it seems to have a lot of promise. Does that make it a buy though?

Solana's advantages

Solana has a number of advantages compared to other cryptocurrencies that may make it desirable. These include:

- High speed
- Low “gas” fees
- Ability to create smart contracts

Because of the advantages above, Solana has often been compared to **Ether** ([CRYPTO:ETH](#)), a crypto that itself holds some of these advantages compared to Bitcoin. Indeed, Solana is often touted as an “Ethereum killer” among its fans. However, there is one hurdle it will have to overcome if it is to

legitimately claim that title.

ETH will soon catch up

One problem with Solana right now is that its transaction time advantage won't last long. Ethereum developers are currently working on a series of upgrades that will facilitate "[1,000s of transactions per second](#)." Official documentation doesn't clarify exactly how many transactions will be allowed, but some sources online peg it at 100,000. That would beat Solana's 65,000 transactions per second and eat into the main advantage it has over Ethereum right now.

Don't forget taxes

One thing you should always keep in mind with crypto investments is taxes.

Under Canadian law, cryptocurrencies like Solana and Ether are subject to capital gains tax. That means that half of your gain is taxed at your marginal tax rate. If you're a rich person in the highest tax bracket, you can pay up to 26% in capital gains tax on crypto.

Large, established cryptocurrencies have a [way to get around that](#):

ETFs

Through the **Purpose Ether ETF (TSX:ETHH)** you can buy and hold Ether on the stock market. This means that you can shelter your ETH in a TFSA, and pay no taxes on it. You do pay ETHH's managers a 1% annual fee for the privilege of them holding Ether for you, but if it makes gains, you could pay a lot more than that in capital gains tax.

Canadians currently have no such vehicle for investing in Solana. **VanEck** does offer a SOL ETF, but it isn't currently supported by Canadian brokers. So if you want to hold crypto tax-free, then Solana may not be the best bet for you.

CATEGORY

1. Cryptocurrency
2. Investing

TICKERS GLOBAL

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

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Date

2025/08/25

Date Created

2022/01/31

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