



## Crypto Market Correction: Buy the Dip With This Bitcoin ETF

### Description

Like many other risky asset classes, **Bitcoin** ([CRYPTO:BTC](#)) had a rough start to 2022. The largest cryptocurrency by market cap fell from US\$47,733 on January 1 to a low of US\$35,070 on January 22.

Since then, it has recovered to trade at around the US\$38,000 range, but it remains significantly lower than its 52-week high of US\$67,582. If you can stomach the volatility, the current low price could be an excellent buying opportunity.

### How do I buy the dip?

Traditionally, [Canadian investors bought Bitcoin on coin exchanges](#) such as Binance, Shakepay, Newton, and now Wealthsimple Crypto, and either held it online in their “hot wallet” or offline in their “cold wallet.”

The problem with these methods is that every sale is a taxable event, meaning that when you sell your Bitcoin (hopefully not at a loss), you pay capital gains tax, which could eat up your once juicy gains.

Currently, there is no way to hold actual Bitcoin in a tax-advantaged account, such as a [Tax-Free Savings Account \(TFSA\)](#) or [Registered Retirement Savings Plan \(RRSP\)](#). That is, unless you use an [exchange-traded fund \(ETF\)](#)

### My top Bitcoin ETF Pick

These ETFs hold the underlying Bitcoin in offline cold storage with a custodian and divvy it up into shares, which are bought and sold on the stock market during normal trading hours.

Buying a share of these ETFs essentially gives you exposure to a proportionate amount of Bitcoin. What’s cool is that these ETFs can be held in your TFSA or RRSP, meaning that when you sell, you pay zero income tax.

My pick here is **CI Galaxy Bitcoin ETF** ([TSX:BTCX.B](#)). BTCX.B currently has assets under management (AUM) of \$413 million and holds around 4,564 Bitcoin, which works out to around 0.0015 Bitcoin per share.

Holding this ETF will cost you a 0.40% management fee annually (taken out of the funds overall performance), plus additional trading and tax costs.

## What are the risks?

Firstly, the underlying Bitcoin being tracked is highly volatile. Intra-day losses of up to 10% are not uncommon and may not be suited to investors with a low risk tolerance.

Secondly, unlike Bitcoin, BTCX.B does not trade 24/7. After-hour and weekend fluctuations in the underlying can leave you with sudden losses or gains at the opening bell.

Finally, BTCX.B is not currency hedged, meaning that fluctuations in the FX rate between the CAD/USD can introduce additional volatility that alter your returns in the short term.

## The Foolish takeaway

BTCX.B offers numerous advantages over futures-based ETFs or close-ended funds, including less tracking error, fewer discrepancies between the market price and net asset value of the fund, and superior liquidity. It also comes with the potential for large tax-free gains, ease of buying/selling on an exchange, and diversification benefits.

### CATEGORY

1. Cryptocurrency
2. Investing

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1. Editor's Choice

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tdong

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