



## Ethereum Is Getting an Update – Time to Buy?

### Description

**Ethereum** ([CRYPTO:ETH](#)) is getting an update!

Previously known as “ETH2,” the update will purportedly make the crypto more “scalable, secure and sustainable.”

Ether was in many ways **THE** crypto of 2021. It was that year that the non-fungible token (NFT) craze took off, and ETH, as the crypto used to buy and sell NFTs, was the main beneficiary of the trend. ETH delivered better returns than **Bitcoin** in 2021, thanks in no small part to people buying it in order to buy NFTs. Ether was always described as a platform for building decentralized applications, and last year we saw that quality put to use in the NFT world.

Today, ETH remains popular. It is the second-most popular cryptocurrency after Bitcoin, and perhaps the most popular with developers. At the same time, ETH is beset by problems. Plagued with slow transaction times and high “gas” fees, Ether isn’t currently the coin that many think it could be. Fortunately, with the update formerly known as “ETH2,” that may be set to change.

### What is ETH2?

ETH2 is the previous name for a [set of upgrades](#) coming to the Ethereum blockchain this year. For convenience’s sake, I will continue referring to the upgrades as ETH2 throughout this article, although the developers have [officially stopped using that name](#).

ETH2 will consist of the following upgrades:

- Support for thousands of transactions per second
- A merger between the Beacon Chain and mainnet Ethereum
- Shard chains that will facilitate more data storage
- Various features designed to make ETH more environmentally-friendly

Individually, these features may not look like much. But collectively, they represent a big leap forward

in ETH's usability. As it has gained in popularity, ETH has been struggling with long transaction times and high fees. Of particular note would be the high gas fees used by Ether transactions. These fees are a percentage of the purchase price you have to pay to the network in ETH. They got notably high in 2021, as the NFT craze led to extensive network activity. ETH2 aims to remedy the problem by upgrading the blockchain.

## How to invest in ETH

If you want to invest in ETH ahead of the ETH2 upgrades, you have two options available to you:

1. Buy ETH directly on an exchange like **Coinbase**
2. Hold ETFs like the **Purpose Ether ETF** ([TSX:ETHH](#))

Each of these approaches has its pros and cons. If you hold ETH directly, you pay no management fees, and can use your ETH to make purchases. These are significant advantages. The downside is that direct ETH holdings are subject to capital gains tax.

If you buy ETH in the form of ETHH, on the other hand, you cannot use your ETH to make purchases, and you have to pay the fund managers a 1% annual fee. That latter item might sound like a big drawback, but ETFs come with a positive as well: tax-sheltering. Since ETHH trades on the stock market, you can easily hold it in a TFSA. By doing that, you skip all the capital gains tax. Depending on your province, capital gains tax can go as high as 26%. That could be a lot more than the 1% you would pay to ETHH's managers, if you realize a big gain. So, depending on your needs, a fund like ETHH may be better than direct ETH holdings for you.

### CATEGORY

1. Cryptocurrency
2. Investing

### TICKERS GLOBAL

1. TSX:ETHH (Purpose Ether ETF)

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