



## Is It Safe to Invest Your Retirement Savings in Crypto?

### Description

We all know the stock market is fairly volatile. But the crypto market? Well, it makes stocks look like a roller coaster built for hamsters.

Yet, despite their volatility, cryptocurrencies have made many Canadians filthy rich. And companies are catching on. In fact, last year, Wealthsimple Inc. became the first Canadian company to offer employees a crypto option within their group retirement plan. Though the option is for a crypto ETF—read: not crypto directly—it still shows that crypto is making its way into retirement planning.

That might make you wonder if you, too, should be investing your retirement savings in crypto. The answer isn't simple (if it was, you wouldn't be asking it), but it might depend on two things: your risk tolerance and time horizon.

### Investing in crypto is risky

For one, it's important to note that crypto is still a risky investment. Though some cryptocurrencies have stabilized in recent years, the crypto market as a whole is still sensitive to changes. Sometimes, all it takes is a tweet from a famous person (cough, cough Musk) to send crypto for an erratic ride.

What's worse is that we also don't know the future of crypto. If nations began to ban using crypto as a form of payment, that could essentially devalue cryptocurrency as a whole.

Of course, that doesn't mean you shouldn't invest in crypto. It only means you shouldn't invest a *lot* in crypto. If you allocate a certain percentage of your portfolio to crypto, you might hit some short-term gains that boost your retirement savings (I'm reluctant to talk about long-term gains with crypto, since the future is uncertain).

But be mindful of your time horizon. When you have a lot of time ahead of you, you can afford to invest aggressively. The more years you have, the more time to balance out losses with gains, helping your money stabilize in a sizable sum.

## Before you invest retirement savings in crypto, consider this...

If you're going to buy crypto assets themselves, keep in mind you won't be able to hold them in a tax-advantaged retirement account, like an RRSP or TFSA.

These accounts are a retirement saver's godsend, as they prevent you from paying taxes on investment gains made within the account. With the RRSP, you can also deduct contributions from your taxable income, which could put you in a lower tax bracket.

That's great. But if you're investing in crypto, it means nothing: no RRSPs and TFSAs will shelter your cryptocurrencies. But there *is* one loophole.

Instead of investing directly in crypto, you could buy shares of a crypto ETF. The fees on crypto ETFs are typically higher than a normal ETF (shrug), and they may not perfectly track the crypto market. But they do allow you to capitalize off crypto gains, without buying crypto assets.

## Should you invest your retirement savings in crypto?

For investors with a long time horizon, investing a certain percentage of your portfolio in crypto might not be a bad idea, especially if it helps you diversify. The closer you come to retiring, however, the wiser it is to invest in less risky securities, as crypto is still highly volatile and could hurt the nest egg you've worked so hard to build.

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### Date

2025/08/05

**Date Created**

2022/03/11

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