Forget Dividend Stocks: This DeFi Protocol Offers a Yield of 19.5%

**Description**

There are several ways to earn a stable stream of passive income. For those with a huge amount of capital, buying real estate properties and renting them out might be a good option. Investors can also look to buy dividend-paying stocks and benefit from a passive-income stream as well as long-term capital gains. Individuals with a low-risk appetite can buy low-interest-yielding bonds.



However, if you have a high-risk profile, it may be time to consider yield farming. Basically, yield farming is a process where you can buy DeFi (decentralized finance) protocols and generate additional income on your cryptocurrency holdings.

# What is yield farming?

One of the most common terms associated with yield farming is APY, or annual percentage yield. It is similar to an interest rate paid by a bank on savings accounts. While bank rates are still below 3%, several cryptocurrencies offer APYs of over 10%.

There are multiple ways for investors to earn yields on digital assets. For instance, you can stake tokens on a blockchain network. Several blockchains, such as **Solana**, **Polkadot,** and **Cardano**, use a PoS (proof-of-stake) mechanism to validate transactions, and the network rewards stakeholders for validating transactions on the blockchain.

You can also use a lending protocol where you stake your digital assets. Here, borrowers use lending protocols to take loans and use crypto assets as collateral while paying interests to lenders.

So, if you are bullish on the long-term prospects of a blockchain project, you can buy the underlying digital asset and stake them to earn additional income. The easiest way to earn these rewards is to stake cryptos on exchanges such as **Coinbase**. However, the rewards will be comparatively low, as you will have to share a portion of your income with the exchange.

## Consider staking on protocols such as Anchor

You can also pledge crypto on blockchain protocols such as Anchor, which is a lending and borrowing protocol that offers APYs of up to 19.5% on stablecoin deposits such as UST. So, lenders can deposit UST on Anchor and enjoy a robust return on investment while lowering the volatility associated with cryptocurrencies.

Further, borrowers can leverage the LUNA token, which is the digital asset of the **Terra** blockchain network, and use it as collateral. The Anchor Protocol is ideal for those seeking risk-averse, low-volatility investments while benefitting from high yields.

Anchor differentiates itself from other protocols, such as Aave and Compound, due to its easy-to-use functionality. Here, you can connect your Terra station wallet and deposit UST by paying a fee of 1.60 UST before earning interest.

The total value locked on Anchor is US$17.27 billion, while the yield reserve is close to US$400 million. You don't need any minimum deposits or signup requirements to access the protocol. Further, using Anchor will also advance the adoption of the UST stablecoin and drive prices of the LUNA token higher.



## The Foolish takeaway

While the extremely high yield is an attractive proposition, investors should note that cryptocurrencies carry massive risks, and it's advisable to allocate a small portion of your savings towards this disruptive asset class.

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araghunath