



Token, ETF, or Stock: What Should Be Your Crypto Exposure Medium?

Description

Crypto is one of the most exciting investment asset classes that investors across the globe have access to. Still, it comes with some inherent risks and a higher level of volatility than most conventional investors are comfortable with.

And if you are willing to look past them and wish to invest in this vibrant asset, deciding what to invest in can be quite tricky. The safest route is to stick with the two giants. You also get multiple “options” when you are investing in one of the big two.

Invest in crypto directly

Ethereum ([CRYPTO:ETH](#)) is the [second-largest cryptocurrency](#) by market capitalization and one of the most well-known crypto tokens around the globe. Ethereum blockchain is the most widely used blockchain around the globe, especially when it comes to smart contracts. It’s also blowing up thanks to the secondary NFT market, making Ethereum’s presence even more widespread than the crypto leader **Bitcoin**.

However, when it comes to Ethereum token as an investment asset, it’s following the larger crypto in both fall and rise patterns. And if you want to invest in Ethereum for the current recovery wave or as a long-term holding, it’s important to understand the limitations of the asset class. Direct exposure comes with the highest level of volatility, and you can’t keep this asset in the RRSP or TFSA, so there is no tax advantage.

Invest in the crypto ETF

Crypto ETFs offer you a way to retain the “purity” of the investment while still allowing you to place your asset in the two tax-sheltered accounts. The CAD-hedged **CI Galaxy Ethereum ETF** (TSX:ETH.B) has been around since last year and currently represents net assets of over \$532 million. The fund is 99.9% invested in Ethereum.

However, an ETF comes with some strings attached, the most notable of which is the management expense ratio (MER), currently at 0.89%, much higher than what's normal for ETFs, in general. The second most obvious limitation of the ETF is that it may not offer the same level of growth as the underlying asset. In the last 12 months, the crypto itself grew 185% (from lowest to highest), whereas the ETF only achieved about 103%.

Invest in the crypto stock

A [crypto stock](#) like **HIVE Blockchain** ([TSXV:HIVE](#))(NASDAQ:HVB.T) can be a great choice. It's is a publicly traded crypto miner and one of the few that actively mine Ethereum in addition to Bitcoin. The company has a geographically diversified operational portfolio and facilities in Canada, Sweden, and Iceland. It also focuses on low-cost renewable power, which brings up the net profitability and forestalls any environmental concerns related to crypto mining.

The main advantage of investing in an Ethereum-focused stock instead of investing in the asset directly is that you can place it in your RRSP or TFSA and gain the reap the tax benefit they offer. But there is another reason you may consider the stock over crypto token: delayed growth. The stock may lag the crypto's growth cycle, so even if you miss your chance of buying the crypto at the right time, you can take advantage of similar growth by buying the stock.

Foolish takeaway

Even though many crypto assets have proven their long-term worth, more people are interested in their short-term growth potential. However, the tax treatment of short-term investing should be taken into account, especially if you are investing in crypto tokens and not ETFs or crypto [tech stocks](#) that you can place in your tax-sheltered accounts.

CATEGORY

1. Cryptocurrency
2. Investing

TICKERS GLOBAL

1. TSX:ETHX.B (CI Galaxy Ethereum ETF)
2. TSXV:HIVE (Hive Blockchain Technologies)

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