



## How to Buy the Ethereum Dip in Your TFSA and RRSP With ETFs

### Description

**Ethereum** ([CRYPTO:ETH](#)) is currently down over 33% year to date. The second-largest cryptocurrency by market cap is currently locked in a desperate struggle to maintain its price above the US\$2,000 support level. In the past few weeks, the broad crypto market selloff has sparked high volatility, with Ethereum hitting a low of \$17,224 at one point.

That being said, risk-tolerant investors looking to “buy the dip” will likely find the recent slump to be an excellent entry opportunity. The high volatility of Ethereum may be daunting to some, but investors who “hodl” (hold on for dear life) Ethereum are likely salivating at the prospect of cheap crypto prices.

### Tax-free Ethereum?

Traditionally, [Canadian investors bought Ethereum on coin exchanges](#) such as Binance, Shakepay, Newton, and Wealthsimple Crypto. The drawback with this method is that every sale is a taxable event, meaning that when you sell your Ethereum, you pay a capital gains tax.

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

### Ethereum ETF options

Two great options are **CI Galaxy Ethereum ETF** ([TSX:ETHX.B](#)) and **Purpose Ethereum ETF** ([TSX:ETHH](#)). Their main stats are below:

1. Management expense ratio: 0.74% vs. 1.48%, respectively.
2. Assets under management: \$544.4 million vs. \$466.6 million, respectively.

Both ETFs hold the underlying Ethereum in offline cold storage with a custodian and divide 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 Ethereum. What's cool is that these ETFs can be held in your TFSA or RRSP, meaning that when you sell, you pay no income tax (or have it deferred, in the case of an RRSP).

## Risks to be aware of

ETHX.B and ETHH.B are advanced ETFs generally suitable for knowledgeable, risk-tolerant investors.

Firstly, the underlying Ethereum being tracked is highly volatile. Intra-day swings of up to 10% are common. Ethereum is highly volatile, and the ETFs that track it are no different.

Secondly, unlike Ethereum, these ETFs do not trade 24/7. This means that after-hour and weekend fluctuations in the price of Ethereum can leave you with sudden losses or gains at the opening bell when it comes to the ETF.

Finally, neither ETF is currency hedged, meaning that fluctuations in the CAD-USD pair rate can introduce additional volatility that alter your returns in the short term.

## The Foolish takeaway

I subscribe to the “not your keys; not your coins” philosophy of crypto, but using a Ethereum ETF is advantageous in some cases. While the management expense ratio is high, the potential for tax free or deferred gains in a TFSA or RRSP is alluring. Buying shares of a Ethereum ETF is also easier for most retail investors compared to self-custody of Ethereum.

### CATEGORY

1. Cryptocurrency
2. Investing

### TICKERS GLOBAL

1. TSX:ETHH (Purpose Ether ETF)
2. TSX:ETHX.B (CI Galaxy Ethereum ETF)

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