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Is Bitcoin a Good Investment?

Eye-popping returns make Bitcoin seem like a good investment, particularly based on the crypto's recent performance in 2023 and early 2024. But as with any investment, you should make sure you understand the risks.

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[Bitcoin](#), the largest cryptocurrency by market cap, is once again making headlines. After gradual gains throughout 2023, the dominant cryptocurrency hit new record highs in March 2024, rising above \$70,000 for the first time.

But deciding if Bitcoin has a place in your portfolio requires looking beyond today's headlines. Bitcoin is a risky investment with high volatility, and generally should be considered only if you have a high risk tolerance, are in a strong financial position already and can afford to lose some or all of your investment.

If you choose to invest, it's important to maintain a diversified portfolio that includes several different types of investments to reduce your overall risk exposure. As a rule of thumb, don't invest more than 10% of your portfolio in risky assets like Bitcoin.

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Investing in Bitcoin

Bitcoin pros

- Bitcoin historically has offered the potential for high returns.
- It's decentralized. That said, many people choose to trade and store Bitcoin on centralized platforms.
- Bitcoin has the potential to be a non-correlated asset, similar to gold. This means it may not follow the trends of other assets, like stocks. However, while Bitcoin has had moments of non-correlation with the S&P 500 in the last decade, it has yet to prove itself as a truly non-correlated asset.

» **Want to learn more?** See the list of the [best centralized crypto exchanges and platforms](#).



Nerdy Tip

The Securities and Exchange Commission has officially approved a spot Bitcoin ETF. [Learn what that means for Bitcoin and other cryptocurrencies](#).

Bitcoin cons

- The price of Bitcoin can go up, as referenced above. It can also go down — a lot. In 2022, it fell more than 75% from its all-time high. Unlike traditional financial exchanges, crypto exchanges don't have circuit breakers, which automatically pause trading when prices dive too quickly. Crypto markets also trade 24/7, and dramatic dips can happen at any time.
- Transactions are irreversible. People have lost millions of dollars of Bitcoin because they lost or forgot their wallet credentials.
- Crypto exchanges lack basic consumer protections, like insurance protection from the Securities Investor Protection Corp. and the Federal Deposit Insurance Corp., found in traditional financial products.

What do financial pros say about Bitcoin?

Bitcoin is divisive. It's at once hailed as one of the biggest advances in finance in centuries and the biggest scam of all time. Here's what the experts on both sides have to say.

Warren Buffett

Famed investor and CEO of Berkshire Hathaway Warren Buffett is decidedly against Bitcoin, and for a very specific reason: He doesn't believe it has any utility. At the 2022 Berkshire Hathaway shareholder meeting, Buffett gave a lengthy example of how he'd gladly invest \$25 billion for 1% of U.S. farmland or apartment complexes, considering they both have a purpose and generate money. But when it came to Bitcoin, he wouldn't buy all the Bitcoin in the world for \$25, because he doesn't know what he'd do with it^[1].

"I'd have to sell it back to you one way or another," he quipped to laughter from the crowd. "It isn't gonna do anything."

Fidelity Investments

Fidelity is among the largest asset managers in the United States, and is one of the few traditional brokers that offer cryptocurrency to their clients. In 2023, Fidelity introduced [Fidelity Crypto](#), which lets clients trade Bitcoin and Ethereum, and the asset manager is also among those that received approval from the U.S. Securities and Exchange Commission (SEC) for a [spot Bitcoin ETF](#).

In Oct. 2023, researchers at Fidelity released a report that concluded Bitcoin was "fundamentally different than any other digital asset" and that other digital assets were unlikely to improve upon Bitcoin, because it is the most "secure, decentralized, sound digital money."

"It is not that we think an allocation to bitcoin does not come without risks," the researchers wrote in the report, "but that we think some investors are overestimating the downside risks of bitcoin when compared to other digital assets^[2]."

Michael Novogratz

Michael Novogratz's credentials include former president of Fortress Investment Group and 11 years at Goldman Sachs (including as a partner beginning in 1998). He was also a member of the New York Federal Reserve's Investment Advisory Committee on Financial Markets, and is the founder and current CEO of crypto

investment firm Galaxy Digital^[3].

Novogratz has long been a supporter of Bitcoin, and as recently as Dec. 2023, Novogratz said in an interview with Bloomberg TV that he thinks Bitcoin could hit its previous highs, and correctly predicted that the SEC would approve a spot Bitcoin ETF.

"There's a bunch of good things happening to Bitcoin," he said^[4].



Nerdy Tip

If you're worried about keeping your crypto with an exchange, consider moving your digital assets to a separate [crypto wallet](#). Most exchanges allow you to transfer assets to these wallets, which can be online (on a separate platform) or offline (on a thumb drive with added security features).

What kind of investment is Bitcoin?

After more than a decade in existence, there's still debate over what kind of investment Bitcoin is. Owning Bitcoin is not like owning stock in a company. Unlike a business, Bitcoin doesn't generate revenue by selling products or services. It doesn't issue dividends. It also doesn't have a CEO, board of directors or any other centralized group that sets goals or that can be held accountable.

In June 2022, SEC Chair Gary Gensler said on CNBC that some cryptocurrencies "have the key attributes of a security" while others, specifically Bitcoin, "are a commodity."

[Commodities](#) are associated with raw materials like metal, grain and milk. Commodity markets are regulated by the Commodity Futures Trading Commission, which also regulates foreign currency trading and is the government agency most active in cryptocurrency regulation.

Still others say it's a [currency](#) — something you can use to pay for goods and services. While there are businesses that accept Bitcoin, it's far from being a widespread practice.

There's also the possibility that it's a new asset class altogether.

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Bitcoin and volatility

Bitcoin's exponential growth and ability to maintain its title of most valuable cryptocurrency can mask the fact that its ascent has not been linear.

The upside of [buying Bitcoin](#) for a dime in 2010 is clear. But with volatility comes big downsides, too. Someone who bought Bitcoin in 2013 would have seen their investment tumble 80% — and it wouldn't be above water for another three years. A decline in 2018 lasted about a year, and there were drops of 50% or more in 2021 and again in 2022.

Anyone investing in Bitcoin will hope for the best, but they should be prepared for [big downturns](#), too. While Bitcoin has recovered many times, there's also a possibility that it could go to zero — for example, if several crypto platforms fail and there's a massive sell-off.

Neither the author nor editor held positions in the aforementioned investments at the time of publication.

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