Bitcoin Dollar Cost Averaging

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After a dreadful **crypto winter**, Bitcoin has gained substantial ground since the first of the year, going up by more than 70%. This is exciting news for anyone who held Bitcoin as it fell by as much as three-fourths of its value against the dollar since November of 2021. Many who decided that crypto was not such a great investment after all may have changed their minds due to the strength of the Bitcoin recovery. Others may be concerned that what we are seeing is just another swing up and down in the crypto market. If you want to get back into Bitcoin but don't want to deal with trying to time a volatile market, Bitcoin dollar cost averaging may be the best route for investment.

Trying to Time the Bitcoin Market

The concept of **dollar cost averaging** came out of the stock market. While professionals who track stocks day by day can often profit by timing the market, most "mom and pop" investors just want to put their money to work in a good investment and get back to their life and day job. A classic example of how not to invest in Bitcoin would have been waiting to invest until November 2021 and investing $100,000 at the height of the market and then seeing the dollar value of your Bitcoin holdings fall to as low as $25,000 before the recent recovery. Ideally, one would have bought Bitcoin in early 2019 or June of 2021 which were before market peaks but how would the average person know the right time? The advice that stock market professionals typically give to "mom and pop" investors is to use the dollar cost averaging approach which can work just as well or even better for Bitcoin.

What Is Dollar Cost Averaging?

Using the dollar cost averaging approach, a person takes the money that they intend to invest, divides it into equal portions, and invests over a period of time such as every month, quarter or year. The point is to invest equal amounts at a fixed rate over time and not to attempt to time the market. When the market price of a stock or Bitcoin goes up, the person is investing the same dollar amount and buying less of the investment. When the market price falls they are getting more of the investment for the same amount of dollars.

When to Use Dollar Cost Averaging

First of all, dollar cost averaging is used for investments that you intend to keep over the years. If you believe that Bitcoin has survived crypto winter and is likely to appreciate in value over the years it is a good target for dollar cost averaging investing. If you possess the skills, time, and inclination to attempt to time the ups and downs of the Bitcoin market you do not need or want to use this approach as you will be trying to buy at market lows, sell at market highs, cash out and pay your taxes and then try again.

The beauty of **Bitcoin dollar cost averaging** is that an investor does not pay excessively for his or her token when prices are high because they always invest the same dollar amount. And when prices are low, they are able to buy more tokens for their dollars. This approach is, in its own way, a modified approach to timing the market! Crypto.com offers a nice explanation of how **dollar cost averaging for crypto works**. They make the point that everyone would prefer to only buy at market bottoms but that even professionals have a hard time doing that all of the time. Anyone who kept buying more and more Bitcoin a year ago as the price was falling probably expected a rebound that did not come until that last couple of months. Anyone who kept investing with the dollar cost averaging approach purchased more and more Bitcoin for their dollars as the price fell. The key to this approach, as they mention, is consistency.

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