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Bitcoin Viability As a Long Term Investment

By: www.ProfitableInvestingTips.com

Bitcoin has gone back up in value and is being promoted again by investment managers. Is there Bitcoin viability as a long term investment? Or is it still the stuff of short term trading? Proponents of Bitcoin note that it has climbed out of the depths of crypto winter. It still leads the pack as the premier cryptocurrency. And it is still limited, unlike fiat currencies, in term of how many Bitcoin will ever be mined. Bitcoin critics note, as always, that it needs to be converted to dollars in order to be used by most people and that, like gold or collectables, it does not pay interest or a dividend.

Where Does Bitcoin Fit in Your Financial Plans?

As noted in article online by *Bloomberg*, [financial planners](#) are again recommending Bitcoin as part of a person's retirement portfolio. Bitcoin having come back to the \$35,000 range appears to have brought these folks around to Bitcoin's side. What is of note is that while Bitcoin has doubled in value since a year ago, the S&P 500 rose about a fourth and then fell back to a roughly 10% gain since twelve months ago. This has happened in the face of heightened tensions across the globe and the prospect of interest rates staying up for a prolonged period of time. Bitcoin is being suggested as a way to diversify one's portfolio during troubled times.

Bitcoin Pivots From Villian to Hero

Bitcoin was the first cryptocurrency and has always been the most prominent, the face of crypto. It had nothing to do with the fall of FTX and other crypto businesses. There are no charges of fraud against the Bitcoin token. Bitcoin, unlike FTX founder, Sam Bankman-Fried is not on trial. Nevertheless, public opinion about Bitcoin (and all of crypto) pivoted from positive to negative during crypto winter as prices fell and investments were lost. Now Bitcoin is assuming hero status again. Is this a fair assessment? Are those promoting Bitcoin fools? Or do they see the truth about the viability of Bitcoin as a long term investment?

What Are Financial Planners Suggesting in Regard to Bitcoin?

What folks are being told is generally not to put a second mortgage on their homes and buy Bitcoin. Rather the advice we are hearing is that using Bitcoin as a small part of one's portfolio is a valid hedge against risks to the dollar, stock market, and the economy in general. What is common is a recommendation of one to three percent of a portfolio up to five percent for those who can afford to accept the risk of seeing their crypto investment being wiped out.

Where Do Spot Bitcoin ETFs Fit into The Bitcoin Investment Picture?

The vast majority of people would like to put something aside for retirement, their children's education, or a rainy day. The majority of these folks do not have the expertise or time to closely follow their investments, buy and sell in a profitable manner, and actively manage their portfolios. Most are not especially interested in

having a crypto wallet. But they would like to have a little bit of crypto as a hedge against everything going to heck in a handbasket. For these folks, putting a small amount into an ETF that tracks the spot price of Bitcoin is a rational investment choice. Using a [dollar cost averaging](#) approach these folks will be able to avoid investing too much when Bitcoin prices surge and will be able to pick up Bitcoin at bargain prices when Bitcoin plummets.

Why Not Just Invest in Bitcoin?

A Bitcoin true believer will say at this point that folks should just buy Bitcoin and hold on for dear life because it is going to go up forever and ever. The response of most investment advisors is that Bitcoin has no basis for its value except that it has a limit to how many will ever be produced. The rest of its value is based on belief in something that only exists in cyberspace. A seasoned investor is likely to say that Bitcoin, like gold, does not pay dividends or interest while stocks and bonds do. They will point to a stock like Tesla and note that its price fluctuates wildly and has, in fact, fallen in the last two years. This sort of investment, they say, is great for speculation and a bad idea for someone who simply wants to put their money aside and let it grow over the years and be there when they want to retire.

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