

What's the Buzz with Bitcoin?

Look before you leap.

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Hardly a day goes by that the topic of bitcoin or other cryptocurrency assets doesn't come up in meetings with clients and prospects or from friends and relatives who want to know, "what all the buzz is about?"

The message is the same, regardless of who's asking. Cryptocurrency is not a currency at all. It's a speculative asset class that is not appropriate for everyone. Only people with a high-risk tolerance should consider cryptocurrency assets.

Like other alternative assets, cryptocurrency can be illiquid at times, and its current values may fluctuate from the purchase price. Cryptocurrency assets can be significantly affected by a variety of forces, including economic conditions and simple supply and demand.

While cryptocurrencies are speculative, it's important to point out the markets appear to have matured over the past few years.

By late 2017, for example, Bitcoin became the first cryptocurrency that had a derivative contract launched on an established exchange. And within the past several weeks, a major insurance company purchased Bitcoin, and a publicly-traded company invested in the cryptocurrency.^{1,2,3}

If you are interested in one of the cryptocurrencies, a good first step may be to keep an eye on them for some time so you can experience first hand the fluctuations in price.

If you are comfortable with the volatility and want to learn more, you may find a simple internet search may generate a lot of information. But be careful. It may be helpful to stick with content that's created by well-known publications.

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Citations

1. CNBC.com, December 17, 2017
2. The Wall Street Journal, December 10, 2020
3. Bloomberg.com, December 7, 2020