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The Pros and Cons of Bitcoin

With growing popularity and adoption of Bitcoin, here we take a look at its pros and cons and this may help you decide whether Bitcoin is a right investment for you.

Like any financial investment, investing in Bitcoin comes with risks and rewards. Before choosing to invest, it's important to weigh up the pros and cons to check if this is the right financial venture for you to buy into.

Pros

- **Bitcoin has scarcity and a deflationary supply mechanism.** Only 21 million Bitcoin will ever be mined, from now until approximately the year 2142. It is estimated that 20% of existing BTC have already been lost as well (due to loss of private keys and various other reasons). Tie that in with a halving event every four years that cuts new Bitcoin mining rewards by 50% every time, and you have an asset that will likely go up in value due to supply pressure.

- **It's pseudonymous.** Bitcoin transactions are only recorded on a public blockchain listing your alphanumeric public address, which makes it perfect for those who value their online privacy. Do note that authorities may require you to declare your Bitcoin holdings for tax or other purposes, depending on your place of residence.

- **Faster transaction speed and cheaper transaction fees than traditional fiat currencies.** Bitcoin can be sent anywhere in the world to a counterparty within minutes and at a nominal fee (as long as there is no blockchain congestion, of course).

- **Protection from payment fraud.** Due to the transparency of all transactions on the blockchain, it is virtually impossible to commit payment fraud. Only a 51% attack would make this possible.

- **Potential for high returns.** The increasing adoption and growing market cap of Bitcoin makes it a great potential investment (while we are not giving investment advice here, just stating facts!). Since March 2020, Bitcoin increased by over 1,500% in value at one stage, thanks to a new influx of institutional investors.

Cons

- **It's still largely unregulated**. A disadvantage may be the fact that Bitcoin is still largely unregulated, which means a lot of black market activity is still able to happen due to the nature of the digital currency. However, in most countries, Bitcoin is treated as either property or a commodity for tax purposes (including the U.S.) and legislation is improving to make it more attractive to institutional investors.

- **The irreversible nature of all transactionson the blockchain.** Because cryptocurrency is not backed by any central authority or government, this means that if you were to send Bitcoin to the wrong person by mistake, or lose access to your Bitcoin, the coins would be lost forever.

- **High volatilityand potential for large losses** — if Bitcoin gained 1,500% in value at one stage, it has also suffered extreme losses at others.

The Speculation Of Bitcoin

Unlike traditional stocks and shares whose price is determined by how well a company is doing, the value of Bitcoin and other cryptocurrencies is purely speculative. Bitcoin's acceptance as a means of payment or an investment depends on people's confidence in it. This makes cryptocurrency a slightly more risky investment than traditional financial instruments. Of course, Bitcoin has one of the strongest communities in the crypto space, with Bitcoin maximalists hellbent on holding their BTC forever.

The Safety of Bitcoin

Bitcoin has the most crime reports of any other cryptocurrency, which makes sense because it's the oldest cryptocurrency. However, to answer the question of whether Bitcoin is safe or not, it's important to consider a few factors:

Bitcoin is based on a decentralized distributed ledger that is not controlled by any authoritative body. This makes it safe in the sense that no government or authority controls your money, but, its decentralized nature also means that if anything were to happen to your Bitcoin, e.g. you lost access to your private key, or you sent Bitcoin to the wrong person by mistake, your Bitcoin would be irretrievable.

Secondly, the blockchain technology on which Bitcoin was built offers unprecedented cybersecurity. With the blockchain technology, investors who chose to keep their Bitcoin on a decentralized exchange will have much less risks of hacks than those keep on a centralized exchange. As the slogan puts, “Not your keys, not your Bitcoin,” it is important to always keep your private key or seed phrase in a safe place and never reveal them to anyone. It’s also wise to consider keeping your cryptocurrency on a cold storage hardware wallet for extra protection from hacks.

If you don’t want to manage private keys, use a reputable centralized exchange like BTCC.

There is also the threat of quantum computing, which could potentially make all Bitcoin wallets vulnerable; however, it is likely that the Bitcoin protocol will be upgraded to make it more secure if and when this ever comes to pass.

Conclusion: Is Bitcoin a Worth Investing?

As stated above, it’s important to know the risks and rewards involved before making any financial investment. Deciding whether Bitcoin is the right investment for you also depends on what your goals are. If you’re looking for a low-risk investment, Bitcoin is definitely not the right option for you.

Investing in Bitcoin 10 years ago when it was worth only a few cents would’ve provided little risk with a high potential reward, because it was unlikely you were going to lose much money. However, investing in Bitcoin now, with the value of the digital asset a lot higher, poses a greater risk to you losing everything.

However, if you’re looking to expand your portfolio and can afford the risk, Bitcoin is a great investment as cryptocurrency isn’t likely to go away anytime soon.

If investing in crypto is of interest, Bitcoin doesn’t have to be the only option. There are other digital assets (called altcoins) to consider, which will heap dramatically returns but also carry large risks and volatility. Some of these cryptocurrencies, like Ethereum, Solana, Polkadot, Polygon and Tron offer more advanced features than Bitcoin, as they host DeFi and NFT protocols.