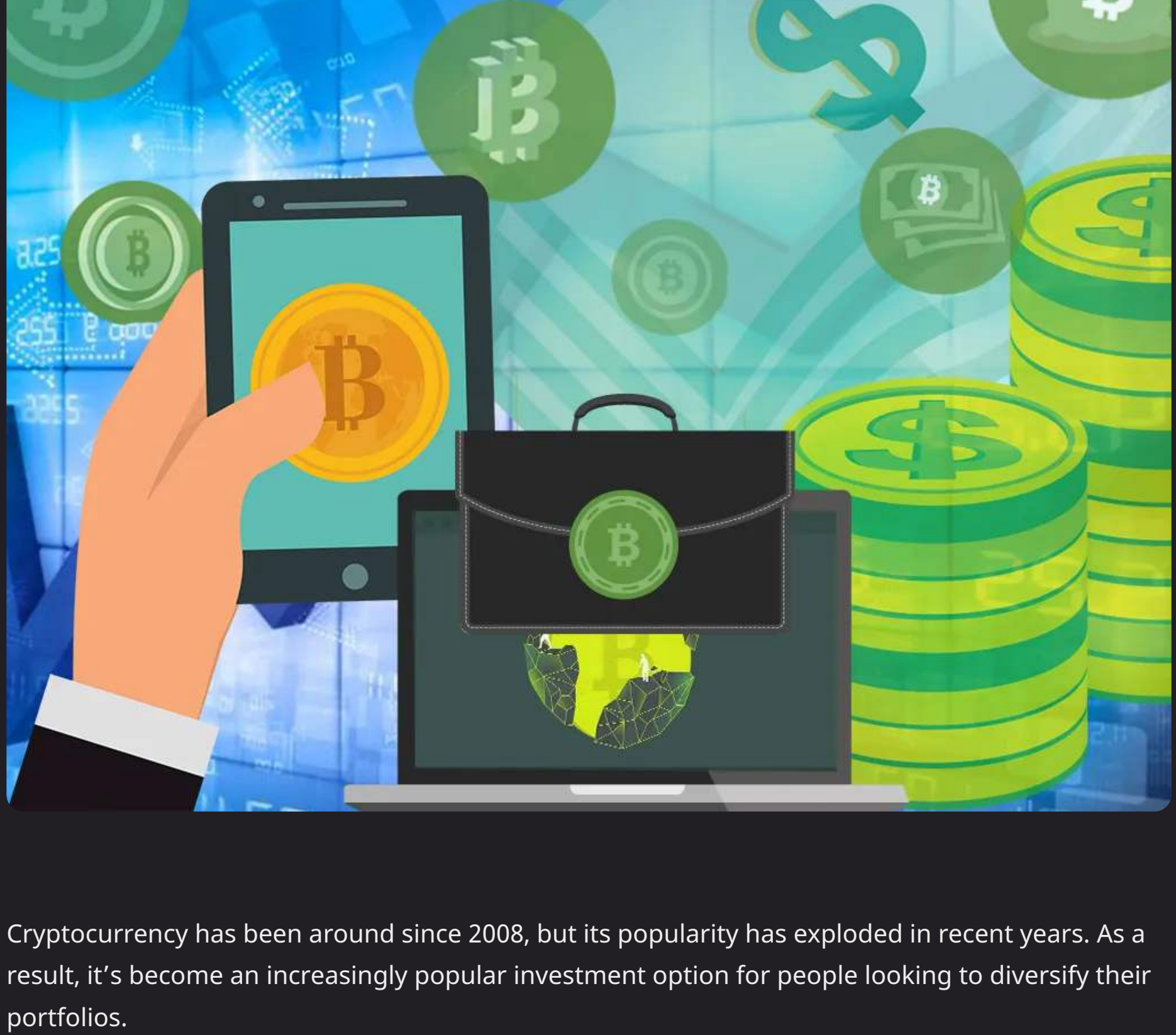


Blockchain Opinions

Investing: Dare to Take the Risk?

OCTOBER 31, 2021 BY ALIFF AZHAR



Cryptocurrency has been around since 2008, but its popularity has exploded in recent years. As a result, it's become an increasingly popular investment option for people looking to diversify their portfolios.

The widespread public discussion of cryptocurrencies has been much more than just a fad. Cryptocurrencies like Bitcoin and other popular altcoins have been in the spotlight following recent price changes.

But while cryptocurrency is becoming more mainstream, there are still plenty of questions surrounding it. For example, what exactly are cryptocurrencies? What risks should crypto investors consider before diving into any cryptocurrencies?

Read more below.

What Are Cryptocurrencies?

Cryptocurrencies are digital currencies that use cryptography for security instead of relying on central authorities such as banks.

Cryptocurrencies are decentralized, meaning they do not rely on any central authority to verify transactions. The first known use of this technology was by Satoshi Nakamoto when he created Bitcoin in 2008. It has become popular due to its ability to be used for payments and transfers.

Why Are Cryptocurrencies So Popular?

Cryptocurrencies are becoming increasingly popular because they offer anonymity, security, and decentralization. The blockchain technology behind cryptocurrencies allows for secure transactions between two parties without a third party.

Decentralized systems also allow for greater transparency. Because every user has access to the same database, everyone knows who owns which coins at any given time. There is no way to hide your identity from other participants.

These cryptos are also used as a means of financial privacy. This means that users aren't required to share personal information or reveal financial details about themselves. Instead, all transaction data is stored publicly within the public ledger.

Many people want more significant levels of security and anonymity, which is why they're turning to these types of currencies instead of traditional payment methods that users can trace back to their original user's account.

Are Cryptos Legal To Use In the Philippines?

The Philippine government has no official stance on cryptocurrencies. However, they don't recognize Bitcoin as a legitimate payment method for now. This is due to compliance with the Philippine anti-money laundering laws.

However, if you (as an entity) provide cryptocurrency services, you must register with the Bangko Sentral ng Pilipinas (BSP).

Benefits of Investing in Crypto

The cryptocurrency market is constantly booming because there's no intermediary involved between sellers and buyers, so it has high liquidity, which means you get more bang for your buck when buying or selling.

While they can be more volatile than stocks or bonds, cryptocurrencies provide benefits such as being minor subject to seizure or hardware failures due to having no physical presence for anyone else but you.

Moreover, cryptocurrencies aren't stored on any central servers and are protected with strong encryption. Due to its decentralized nature, there isn't one person who controls all the coins; instead, each currency belongs to someone who owns them. An example would be storing cryptos in a cold wallet.

Contrary to fiat currency, there isn't much chance for devaluation because of inflationary monetary policies from the central banks, which makes it a safer investment than other currencies that politicians or actors in power can manipulate.

Investors with a thriving cryptocurrency portfolio can experience significant returns with crypto. Still, you must know what cryptocurrency you're investing in before making any decisions. Below are the risks of crypto investing that you should know.

Risk of Investing in Crypto Assets

Investing in the crypto market is not just about the risk you're taking on but also the volatility of cryptocurrencies, making them appealing to some investors. The potential for high returns is there if you dare to take the risk.

The cryptocurrency market is volatile and unpredictable. There's no guarantee of future value, so it may be challenging to determine whether you'll earn or lose money by investing in cryptos.

Any government or central banks don't regulate cryptocurrencies. They have no legal tender status, meaning they cannot be exchanged for goods and services like regular currencies do.

Another primary concern is regulatory uncertainty. While some countries worldwide have already started regulating cryptocurrencies, others haven't yet taken action against them.

This creates an environment where many use crypto without knowing how regulations will affect them down the road. For example, in the Philippines, it's considered a grey area though the Philippine central bank doesn't recognize Bitcoin as legal tender.

This lack of regulation creates problems for those who wish to buy and sell cryptocurrencies. For example, exchanges often charge hefty commissions for trading pairs. In addition, many countries prohibit citizens from dealing directly with cryptocurrencies.

The lack of governmental regulation means cybercriminals can potentially use it for illegal activities due to its decentralized nature; thus, it is hard to track down by governments. This means that people involved in criminal activity could easily hide their identities behind pseudonyms when using cryptocurrencies.

For beginners, it can be challenging to understand how cryptocurrencies work due to their complex nature. Many of them don't even fully grasp the concept behind blockchain technology.

Lastly, you could end up losing all of your investments if something goes wrong. If you don't fully understand how these digital assets operate, you might find yourself out of luck.

In addition, if hackers gain control over someone's wallet, then hackers could steal all your funds. Hackers can try to steal your cryptos through phishing scams, malware attacks, keyloggers, etc.

Do You Dare to Take the Risk?

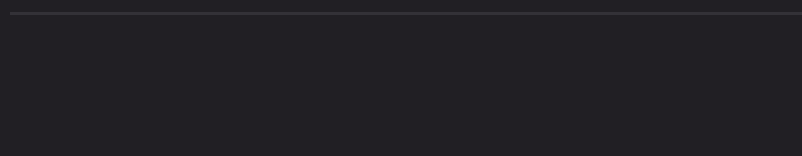
Many people are asking whether or not they should invest in cryptocurrency. The answer to that question is complicated and depends on many factors and your risk tolerance, but it's safe to say that Bitcoin and Ethereum are the best bet for beginners. Both cryptos are better options because they have a history of stability.

It is crucial to consider the risk associated with cryptocurrencies before investing. For instance, Bitcoin is riskier than Ethereum because of its volatility and higher market cap.

There are many opportunities ahead if you do so with caution for those willing to take the risk of investing in cryptocurrency as an asset class with long-term potential. But you should learn and understand more about cryptocurrencies and how they work before you invest in any of them.

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