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Bitcoin's pros and cons for investors

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Bitcoin, the first cryptocurrency on the market, has taken the world by storm and survived the competition while still being a relevant option for virtual payments. Even though more cryptocurrencies have been released since the continuous growth of the blockchain, Bitcoin is one of the investors' favorite choices.

But since Bitcoin's maximum coin supply has a limit (21 million, of which 19 million have already been issued) and no new bitcoins will be issued, what are the pros and cons of investing in Bitcoin? Should you continue buying and selling until all coins are issued or look for other crypto options? Let's find out what are the good and bad sides of Bitcoin.

Pros

Potential for high returns

Bitcoin prices can change dramatically from one day to another (like any other cryptocurrency). This is called volatility which is an important factor in investing. Low volatility is seen as a good time to invest because it shows that assets are not prone to fluctuate and are steadier. At the same time, when it's at its lowest, you won't make too much money, but at least you'll know that you won't be prone to any financial risks.

Although high volatility is more beneficial to experts, it usually indicates higher returns. But some investors take risks as they know the market well enough and so they can take advantage of some entry points on the blockchain.

Protection from fraud

Since transactions are built on blockchain technology, Bitcoin allows people to keep their coins safe and stable. That's because users are identified by numerical codes and can have more public keys to access their digital wallets and accounts (a key is generated after 100,000 rounds of SHA256 and contains 12 words).

You don't need to disclose any of your confidential financial information. Your real identity is well hidden because transactions can't be traced back to the user (even though they're permanently viewable). The blockchains stores data confidentially, and the transparency factor of the cryptocurrency allows people to conduct transactions at any time.

International transactions

Given that Bitcoin is free of any financial authority, it gives the opportunity for investors to buy and sell internationally. This feature allows users to have autonomy and control over their money and not worry about international fees (like in currency exchange) or the long time for transactions to process.

It takes only a few minutes to send Bitcoin regardless of the destination or the final amount. The decentralized issuance of this cryptocurrency is what it makes so good for investors, as they don't have to worry about problems like fiat money.

If you want to know how to buy bitcoin and make your first investments, you can do it through your credit/debit card, bank deposit, P2P trading or third-party payment. You also need a crypto wallet to store your coins, but you have plenty to choose from.

Greater liquidity

Bitcoin is one of the most accessible and versatile currencies. Liquidity defines more aspects of a coin's performance: the ability to be converted to cash on demand or the bid-ask spread factor (when this index is low, liquidity is higher).

The bid-ask spread is the difference between the highest price that a buyer is willing to pay and the lowest price the seller is willing to accept. Basically, the bid represents the demand, and the ask is the supply for an asset. In cryptocurrency, an asset with a narrow bid-ask spread will have a higher demand than a wider one.

Cons

High volatility

Volatility is both good and bad, but it can be disastrous for investors if they don't know how to read the chart carefully. When an asset is more volatile, the risk of it becoming an investment increases, and it can lead to high losses over a shorter period of time.

The factors that make volatility increase include:

- Positive or negative news coverage
- Earnings reports
- High spikes in trading volume

If you don't want to be affected too much by the high volatility and lose more than win, you can use certain strategies to minimize risks:

- The dollar-cost averaging (DCA): you buy smaller amounts of an asset over a longer period;
- Use stablecoins that are designed to have low volatility;

Irreversible

The blockchain has made all transactions safe, but they're irreversible, meaning that you can't get back your money if you've sent them to the wrong person or entity (only if they agree to send them back). Even though now it's impossible double-spend on something, which is a frequent problem with financial institutions, you can still easily lose your assets if you're not careful enough. There's also a problem with losing your private key because you can't access your account in any other way and recover your data or assets.

Energy consumption

To get coins, you need to mine, which means you'll have to use high-end technology and waste energy to get some Bitcoin. Given that the cryptocurrency is relatively old, it has become harder to mine and more energy-demanding. It is estimated that Bitcoin consumes an annual electricity rate of 127 terawatt/hours, exceeding the yearly energy consumption of Norway.

The huge carbon emissions footprint is caused by a proof-of-work mechanism that Bitcoin uses, which is more energy demanding than we think because the problems that need to be solved in order to solve puzzles have become more complex over the years. Of course, Bitcoin still has some time left until all coins are issued, but this problem is frequent in almost all

cryptocurrencies.

Competition

Bitcoin has paved the way for other cryptocurrencies, but it also inspired competitors to come up with a better version of it. For example, Ethereum's developer was inspired by the blockchain but wanted to add better features and allow users to use the blockchain for multiple purposes. Now, cryptocurrency is the second most used and known in the market. Plus, more cryptocurrencies are less energy consuming, which drives people to invest in them to protect the environment.

Wrapping up

Bitcoin is still relevant in the market, but it has to up its game to fulfil people's investment expectations. Even though it has become harder to mine bitcoins, the cryptocurrency is still the first on every investor's top.

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