

Why Bitcoin is for Suckers

Written by Rob Copeland
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If you're thinking about investing in bitcoin, I've got some simple advice for you: Don't.

Bitcoin is a digital, online "currency," like dollars, except that you can't actually spend them anywhere. Try buying a grill from Home Depot with bitcoin and you'll see what I mean. Who is using bitcoin? It seems many of its users are people trading drugs and other contraband, anonymously, on the so-called dark web.

And yet bitcoin has soared in value from less than \$1,000 at the beginning of the year to more than \$17,000. In other words, one bitcoin costs close to the down payment on a house. This is what investors call a speculative bubble, folks.

Remember the dot-com bubble? The real estate bubble? There have been bubbles for as long as humans have traded things. By 1637, Dutch traders were paying more than 10 times their annual salary for tulip bulbs. You can guess how that ended.

What all these speculative bubbles have in common is that the people who can least afford to lose money get absolutely crushed. When bitcoin crashes, and it will, mom and pop investors—including those who are mortgaging their homes to buy bitcoin—will be left with nothing, while more sophisticated investors will have made a killing.

The bitcoin crash will likely occur for one of two reasons. U.S. and other governments will begin regulating the currency—removing its anonymity in order to track possible evidence of crimes—or big sophisticated investors, sensing that the top is near, will sell out and start a domino effect.

Right now, those big investors are counting on the hoopla about bitcoin to attract more and more investing novices who will buy the currency and pump prices even higher.

By the time bitcoin crashes, these more savvy investors will be long gone. You'll be the one left holding the bag. As the gambling saying goes, the sucker is the person at the table who doesn't

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know he's the sucker.

And none of this takes into account the security risks associated with bitcoin. Hackers and fraudsters have stolen millions and millions of dollars of bitcoin so far. And once it's gone, there's no getting it back. There's no FDIC insurance. There's nobody to sue. Remember, it's all anonymous.

Last week, the Chicago Board of Exchange, a financial exchange, started letting investors trade bitcoin futures. Essentially, it's letting people make bets on how much bitcoin will rise or fall. There's no clearer sign that owning or trading bitcoin trading is nothing more than straight-up gambling.

A lot of investing is common sense. Would you buy a dollar bill from me for thousands and thousands of dollars? If not, then you shouldn't be buying bitcoin.