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The Scary Truth About Bitcoin and How It Could Ruin Your Retirement

Karen Bennett | MORE ARTICLES

March 03, 2018

Bitcoin has finally hit the mainstream. It's even been dubbed the future of tech and finance. The value of [just one Bitcoin](#) may even [rise to \\$1 million](#) under the right circumstances. Amidst a worldwide gold rush to get rich off the cryptocurrency, many people are left wondering if Bitcoin belongs in their retirement accounts. Could you likely retire much sooner — and much richer — [by adding Bitcoin](#) to your retirement portfolio? The consensus among financial advisors leans toward a resounding no.

Here we'll take a look at some reasons why **adding Bitcoin to your retirement account could be a harmful step you'll regret down the line.**

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1. It's too volatile

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Bitcoin is constantly changing in value. Jack Suez/AFP/Getty Images



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As a rule, you want your retirement savings to be relatively stable, especially as you get older. While "saving" in Bitcoin might be appropriate for a very small slice of your retirement portfolio, the bulk of your savings needs to be in proven assets that generate cash flow. By proven assets, we're referring to stocks, bonds, and cash.

Why is this? Case in point: On Nov. 29, 2017, Bitcoin jumped in value to a record high of \$11,000, but then dropped around 20% in the same day. Based on rollercoaster rides like this, you're putting your retirement at major risk if you [devote much of your portfolio to Bitcoin](#).

Next: One important prediction by experts

2. Experts predict a swift decline



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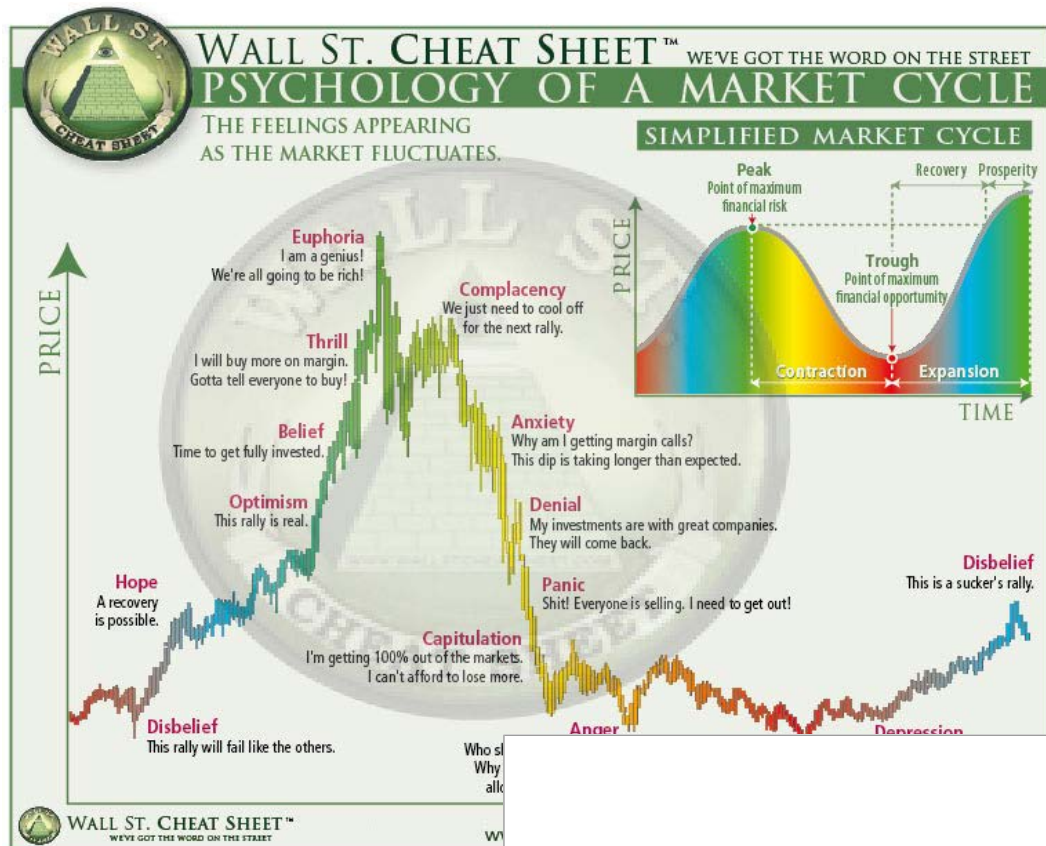
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The psychology of a market cycle concept can be applied to Bitcoin in particular. Are we headed for the Anxiety and Denial phases next? | The Cheat Sheet

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While some eager beaver investors see Bitcoin as a quick way to get rich, financial experts tend to not be as optimistic. Rather, some predict a quick decline coming soon. MarketWatch analyst Mark Hulbert has stated there's a greater than 80% chance [Bitcoin will crash](#) in the near future. Hulbert pointed out that Bitcoin's price run-up already far exceeds the threshold for when a crash becomes nearly certain. In fact, the situation with Bitcoin has been compared to the [dotcom and real estate bubbles](#) — which didn't end well.

The infographic here shows the cycle of common emotions investors go through as the market fluctuates. The concept can be applied to Bitcoin in particular. For much of 2017, Bitcoin seemed to be in the Optimism phase, and then in November, it climbed to the Belief and Thrill phases as it received more media attention. At that time, news stories emerged about people investing their life savings (or significant retirement savings) in Bitcoin. We learned about Bitcoin millionaires and billionaires. (You may have read back then how Bitcoin's founder could [become the world's first trillionaire](#).)

By mid-December, Bitcoin reached the Euphoria phase with insane price targets. At that time, news outlets were updating Bitcoin price headlines multiple times per day. Other coins started to emerge as [alternatives to Bitcoin](#) (some of them outright scams). In the first week of February 2018, [Bitcoin experienced a significant fall](#) to less than one-third of its \$20,000-per-coin peak price in December. It has been described as "fragile" multiple times in 2018, and a few rallies have ensued, signaling the Complacency phase. Are we headed for the Denial and Panic phases next?

Next: A more advisable way than retirement to invest in Bitcoin

3. It belongs elsewhere in your portfolio

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Treat it like gambling money. | Scott Olson/Getty Images

Retirement savings are meant to grow slowly and steadily. As such, putting volatile, rollercoaster assets into the mix is just too risky. Kashif Ahmed, president of American Private Wealth in Woburn, Mass., compared Bitcoin investing to gambling in Las Vegas; it may be OK for “losable” money, but certainly not for money earmarked for retirement.

“Watch for pure entertainment purposes, but if you decide to put in your retirement savings, you can lose all or most of it,” [Ahmed said](#). “The future you is getting robbed by present you.”

Next: One big reason Bitcoin is so risky

4. Bitcoin has no inherent value



It's more of a gamble than anything. | Pierre Teyssoit/AFP/Getty Images

Unlike investing in a company or a rental property — both of which set out to turn profits — Bitcoin and other cryptocurrencies have no inherent value. This makes it more of a gamble than traditional investments. The only value to draw from is what someone else is willing to pay for it.

“When you deal with commodities, with cryptocurrencies maybe, you’re relying on someone else to pay you a higher price. There’s no inherent value in the commodity itself. There’s no inherent value unless someone’s willing to pay you more,” [said Norm Mindel](#), a certified financial planner.

Next: One entity that can – and did – devastate Bitcoin

5. Governments could derail Bitcoin



Some governments are gearing up for a fight. | Saul Loeb/Getty Images

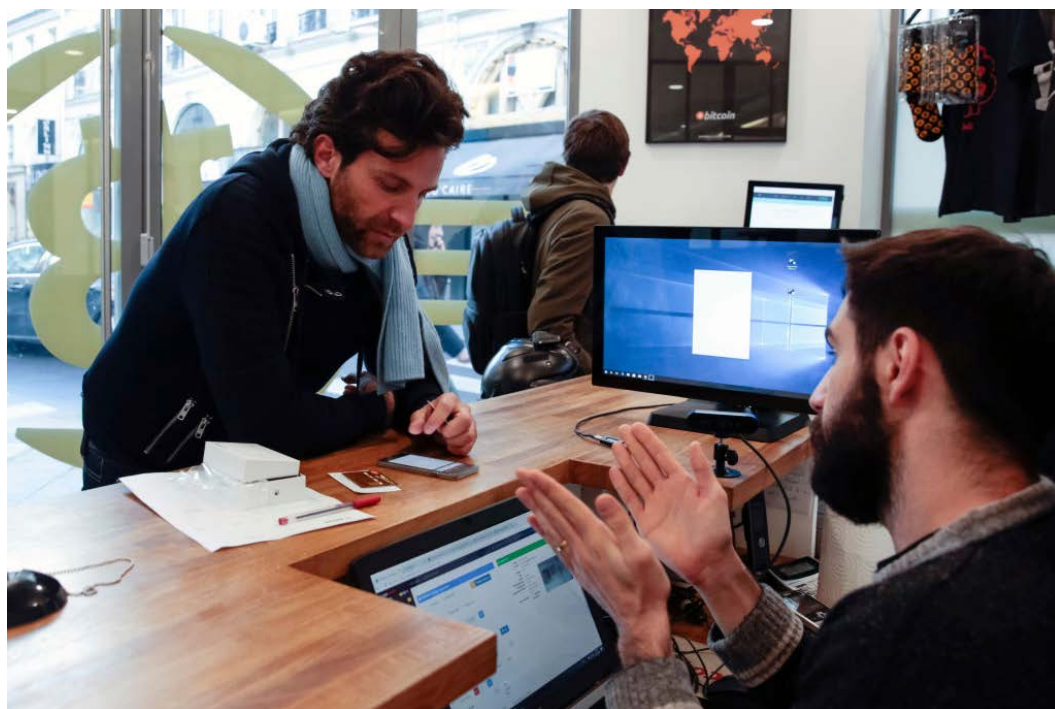
Countries may interfere with Bitcoin if they see it as a threat to their traditional currencies. This could be devastating to the cryptocurrency's value. On Jan. 16, 2018, Bitcoin went into a free fall, dropping 25%, after South Korea announced it was considering a crypto trading ban. The country's investor base has been a substantial part of the Bitcoin trading boom.

At the same time, news emerged that Chinese authorities were planning to block residents from trading Bitcoin on foreign exchanges. The country had already shut down local crypto exchanges.

All of this just adds to the uncertain future of Bitcoin, illustrating why you'd be unwise to consider it as retirement savings — unless you're OK with the possibility of flipping burgers in retirement.

Next: What to do instead of adding Bitcoin to your retirement

6. There are far safer alternatives



Realize that it's a risk. | Geoffroy Van Der Hasselt/AFP/Getty Images

If you really want to ramp up your retirement investment returns, there are safer options than alternative assets like Bitcoin. Reassess your tolerance for risk. If that tolerance is currently higher than your portfolio is invested, look to invest more in stocks over bonds.

Realigning your portfolio could provide some strong returns by using investments that are more stable than Bitcoin.

Next: What a legendary investor thinks of Bitcoin

7. Warren Buffett declared Bitcoin worthless



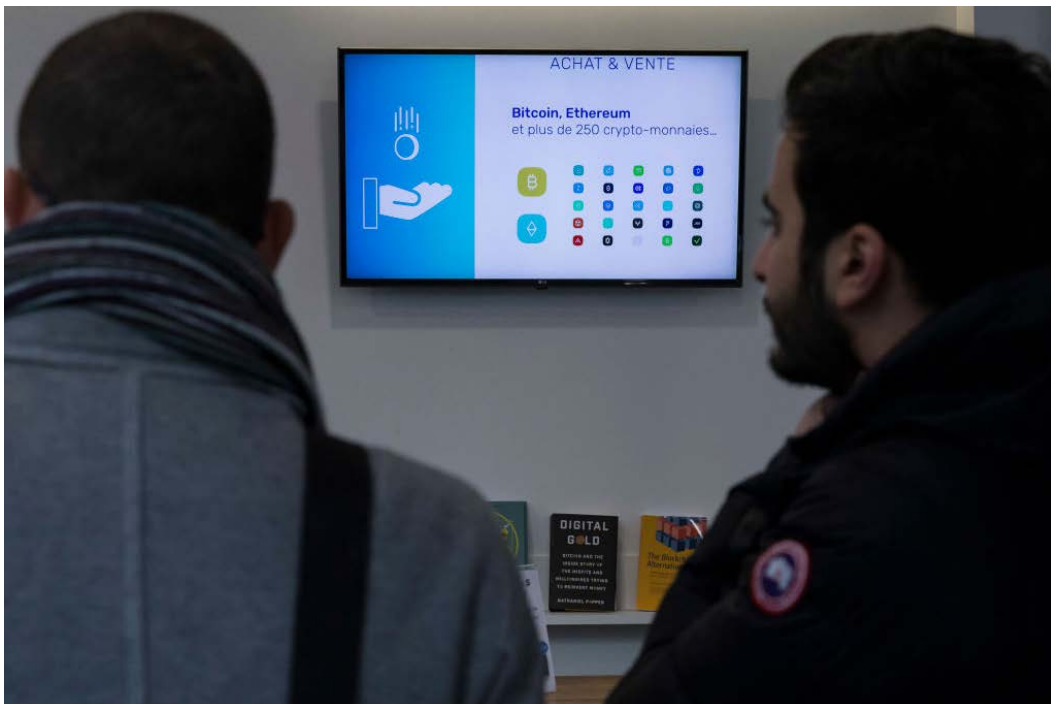
He's one of the most trusted names in finance. | Bill Pugliano/Getty Images

If you value the advice of legendary investor Warren Buffett, know that he declared Bitcoin worthless. The craze over Bitcoin and other cryptocurrencies won't end well, Buffett told CNBC in January 2018. "In terms of cryptocurrencies, generally, I can say with almost certainty that they will come to a [bad ending](#)," he said.

Buffett also spoke against Bitcoin back in 2014. "The idea that it has some intrinsic value is just a joke in my view," said Buffett, CEO of Berkshire Hathaway.

Next: Is Bitcoin in retirement funds ever OK?

8. When Bitcoin for retirement is OK

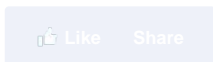


Putting a small amount into Bitcoin won't be the end of the world. | Geoffroy Van Der Hasselt/AFP/Getty Images

If you feel you absolutely must invest in Bitcoin for retirement, there's nothing wrong with [doing a little](#)

speculating, but only if you're already doing a fine job saving and investing for retirement. A "fine job" would translate to putting at least 10% into a 401(k) or IRA plan and having that portfolio properly allocated. Putting a small amount of money into Bitcoin on top of all of this shouldn't make too drastic of a difference.

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