Want to have bitcoin in your retirement account? Read this first

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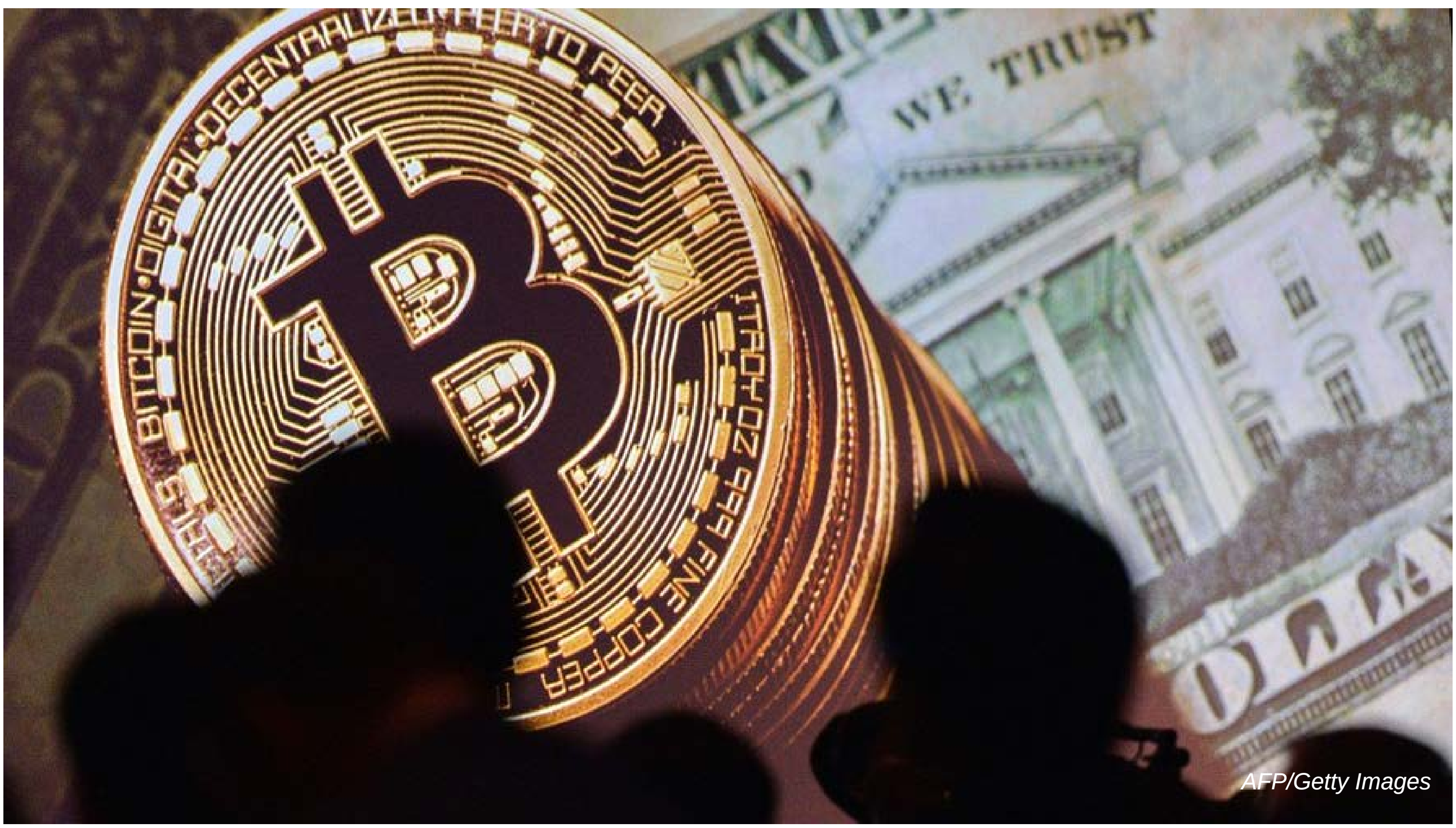
The cryptocurrency soared, then fell, and is now back on the rise in just 24 hours



Should bitcoin be a part of a retirement portfolio?

Bitcoin has finally hit the mainstream, and it has some retirement savers wondering if it should now be a part of their retirement accounts.

Absolutely not, financial advisers say.

The digital currency, also known as cryptocurrency, has come to the forefront of the finance world in recent years, and jumped in value to a record high $11,000 on Wednesday (but then dropped about 20% in the same day). As of this writing, it's hovering around $9,300. Because it has been skyrocketing in value — it was as low as $6,000 a few months ago — investors are asking their advisers if they should add it to their portfolios, and many of them are responding with a resounding no because of bitcoin's **BTCUSD, +6.87%** volatility and, to be honest, the complete confusion as to what exactly it is and what its future holds.

"People don't know what bitcoin is except it's going up," said Kashif Ahmed, president of American Private Wealth in Woburn, Mass. "A lot of people are succumbing to their greed."

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True, there seems to be confusion around bitcoin and other cryptocurrencies, such as how it works, how it's bought, where it's held and what it will be valued at in the future. Financial experts are not optimistic it will be as lucrative as others hope.

Instead, many anticipate a swift decline — and soon. Mark Hulbert, a financial analyst and columnist for MarketWatch, said there's a greater-than-80% chance bitcoin will crash in the near future, looking at asset prices in the past that have soared. (Others have compared it to the tech bubble, and home builder stocks before their bubble. While some major players are throwing themselves full force into digital currencies — for example, the Nasdaq will introduce cryptocurrency futures next year — the German media is telling everyone to take it slow, referencing the first-ever commodity "bubble," for tulip bulbs in the 17th century. "Bitcoin is the tulip bulb of the 21st century financial markets," a German daily newspaper said.

But even still, with its price rising, it's hard not to be curious as to what bitcoin could earn for a large sum of money. A handful of clients have asked William Brancaccio, a financial adviser at Rightirement Wealth Partners in White Plains, N.Y., about the digital currency. Without talking these questions through, and deciding it best to opt for investments that will most likely meet clients' goals and the annual return they'll need in retirement, investors can find themselves seriously hurting their portfolios, and ultimately, their future funds, Brancaccio said.

Because of its volatility and mystery, retirement savers should take caution around bitcoin and other cryptocurrencies. Retirement accounts are not the assets to be played with, financial advisers said. Those savings are meant to grow "slow and steady," Brancaccio said, something bitcoin is not. "Bitcoin may make you 100% in one year and the next you can lose 90% of that, which includes part of your initial investment," he said. It's like buying a bunch of lottery tickets in hopes of hitting it big — it's great if it boosts your savings account, but the likelihood of it doing so is low. "You may spend a lot of money trying to get there."

Also see: Read this before you buy someone bitcoin as a gift

But should investing in bitcoin or other cryptocurrencies be avoided completely by retirees? Not necessarily. Like any alternative investment, it has inherently more risks associated with it compared with more passive investing options, such as bonds, and some may argue 2% of your whole portfolio is a fair position to maintain on the digital currency in taxable accounts. That can also pertain to your retirement accounts if it is used as a temporary tactical investment, Brancaccio said. The cryptocurrency adds value in small increments, independent researcher Nick Maggiulli wrote on his blog, "Of Dollars and Data." Ahmed likened investing in bitcoin to gambling in Las Vegas — it may be okay for "loseable" money, where when it's gone, it's gone for good, but never for money earmarked for goals and responsibilities, such as rent, food, utilities, and yes, retirement savings.

"Watch for pure entertainment purposes, but if you decide to put in your retirement savings, you can lose all or most of it," he said. "The future you is getting robbed by present you."

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