



INVESTING CRYPTOCURRENCY

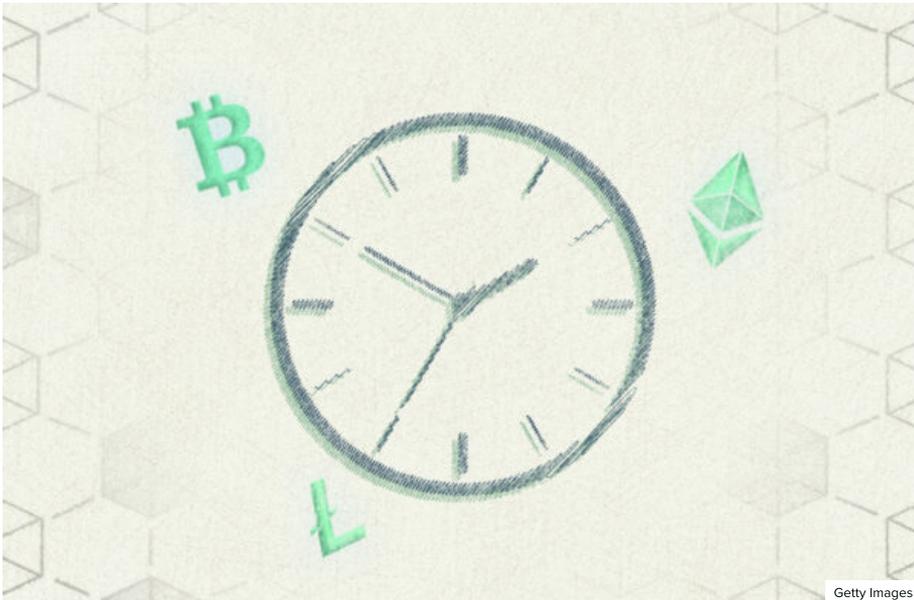
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The Future of Cryptocurrency: 5 Experts' Predictions After a 'Breakthrough' 2021



Ryan Haar

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We've seen [Bitcoin hit multiple new all-time high prices](#) — followed by [big drops](#) — and more institutional buy-in from major companies. [Ethereum, the second-biggest cryptocurrency](#), notched its own new all-time high recently as well. U.S. government officials and [the Biden administration](#) have increasingly expressed interest in [new regulations for cryptocurrency](#).

All the while, people's interest in crypto has [skyrocketed](#): it's a hot topic not only among [investors](#) but in popular culture too, thanks to everyone from long-standing investors like Elon Musk to that kid from your high school on Facebook.

In many ways, 2021 was a “breakthrough,” says [Dave Abner](#), head of global development at [Gemini](#), a [popular cryptocurrency exchange](#). “There's tremendous focus and attention being paid to [the crypto industry].”

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But the industry is only in its infancy and constantly evolving. That's a big part of why every [new Bitcoin high](#) can be easily followed by [big drops](#). It's difficult to predict where things are headed long-term, but in the coming months, experts are following themes from regulation to institutional adoption of crypto payments to try and get a better sense of the market.

While exact predictions are impossible, we asked five experts about what they're paying attention to in the crypto space for the future:

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regulation. Lawmakers in Washington D.C. and across the world are trying to figure out how to establish laws and guidelines to make cryptocurrency safer for investors and less appealing to cybercriminals.

“Regulation is probably one of the biggest overhangs in the crypto industry globally,” says Jeffrey Wang, head of the Americas at Amber Group, a Canada-based crypto finance firm. “We would very much welcome clear regulation.”

China announced in September that all cryptocurrency transactions in the country are illegal, effectively putting the brakes on any crypto-related activities within Chinese borders. In the U.S., things are less clear. Federal Reserve Chair Jerome Powell said recently that he has “no intention” of banning cryptocurrency in the U.S while Security and Exchange Commission Chairman Gary Gensler has consistently commented on both his own agency’s and the Commodity Futures Trading Commission’s role in policing the industry.

Gensler recently went so far as to say investors are “likely to get hurt” if stricter regulation is not introduced. Plus, the IRS has an obvious interest in making sure investors know how to report virtual currency when they file their taxes. Gensler’s and Powell’s comments are consistent with an emerging view among the Biden administration and other U.S. lawmakers that more cryptocurrency regulation is needed.

Like most things with cryptocurrency, regulation comes with hurdles. “There are different agencies that may or may not have jurisdiction to oversee everything,” says Wang. “And it differs state by state.”

Clear regulation would mean the removal of a “significant roadblock for cryptocurrency,” says Wang, since U.S. firms and investors are operating without clear guidelines at the moment.



president in November includes [crypto tax reporting provisions](#) that could make it easier for the IRS to track crypto activity among Americans. Even before the new legislation, that's why experts say investors should keep records of any capital gains or losses on their crypto assets. The new rules may also make it easier for investors to properly report crypto transactions.

“Exchanges will have to issue [1099-B tax forms](#) with cost basis information to investors,” [Shehan Chandrasekera, CPA](#), head of tax strategy at CoinTracker.io, a crypto tax software company, [recently told NextAdvisor](#). “This will significantly reduce the crypto tax filing burden.”

Regulatory announcements can also affect the price of cryptocurrency in already volatile markets. Market volatility is why investing experts recommend keeping any cryptocurrency investments to [less than 5% of your total portfolio](#) and never invest anything you're not OK with losing.

Ultimately, many experts believe regulation is a good thing for the industry. “Sensible regulation is a win for everyone,” says [Ben Weiss](#), CEO and cofounder of CoinFlip, a cryptocurrency buying platform and crypto ATM network. “It gives people more confidence in crypto, but I think it's something we have to take our time on and we have to get it right.”

Crypto ETF Approval

There's already been a major breakthrough on this front, with the first [Bitcoin ETF](#) making its debut on the New York Stock Exchange in October. The development represents a new and more conventional [way to invest in crypto](#). The BITO Bitcoin ETF allows investors to buy in on cryptocurrency directly from traditional investment brokerages they may already have accounts with, like Fidelity or Vanguard.

“We do it in the equity market, we do it in the bond markets, people might want it here,” Gensler said at the [Aspen Security](#)



fund is linked to Bitcoin, it does not actually hold the crypto directly. The fund instead holds [Bitcoin futures contracts](#). While Bitcoin futures follow the general trends of the actual crypto, experts say it may not track the price of Bitcoin directly. For now, investors must continue waiting for an ETF that holds Bitcoin directly.

ETF approval has been in consideration by the SEC multiple times over the past few years, but BITO is the first to gain approval.

What a crypto ETF means for investors

It's too soon to tell how many investors will get in on BITO — but the fund did see [lots of trading action](#) in its first weeks. In general, the more accessible cryptocurrency assets are within traditional investment products, the more Americans could buy in and influence the crypto market. Instead of learning to navigate a [cryptocurrency exchange](#) to trade your digital assets, you can add crypto to your portfolio directly from the same brokerage with which you already have a retirement or other traditional investment account.

However, investing in a crypto ETF, like BITO, still carries the same risk as any crypto investment. It's still a speculative and volatile investment. If you're not willing to lose the money you put into crypto by purchasing on an exchange, then you shouldn't put it in a crypto fund either. Carefully consider if you're willing to take on the risk of having [cryptocurrency in your portfolio](#) at all.

Broader Institutional Cryptocurrency Adoption

Mainstream companies across multiple industries took interest — and in some cases themselves invested in — cryptocurrency and blockchain in 2021. AMC, for example, recently announced



crypto by allowing users to buy on their platforms. Tesla continues to go [back and forth on its acceptance of Bitcoin payments](#), though the company [holds billions in crypto assets](#). Experts predict more and more of this buy-in.

“We’ve seen a tremendous amount of inflow of attention, and that’s going to continue to drive the growth of the industry for a while now,” says Abner.

Some experts predict bigger, global corporations could jumpstart this adoption even more in the latter half of this year. “What we’re looking at is institutions getting involved in crypto, whether it’s Amazon or the big banks,” says Weiss. A huge retailer like Amazon could “create a chain reaction of others accepting it,” and would “add a lot of credibility.”

Indeed, Amazon has recently sparked rumors that it’s making moves to that end by sharing a [job posting](#) for a “digital currency and blockchain product lead.” [Walmart](#) is also recruiting a crypto expert to oversee its blockchain strategy.

What more institutional adoption means for investors

While [paying for things in cryptocurrencies](#) doesn’t make sense for most people right now, more retailers accepting payments might change that landscape in the future. It’ll likely be much longer before it’ll be a smart financial decision to spend Bitcoin on goods or services, but further institutional adoption could bring about more use-cases for everyday users, and in turn, have an impact on crypto prices. Nothing is guaranteed, but if you buy cryptocurrency as a long-term store of value, the more “real world” uses it has, the more likely demand and value will increase.

Bitcoin’s Future Outlook



REST OF THE MARKET TENDS TO FOLLOW ITS TRENDS.

Bitcoin's price had a wild ride in 2021, and in November set another new all-time high price when it went over \$68,000. This latest record high follows previous high points over \$60,000 in April and October, as well as a summer drop to less than \$30,000 in July. This volatility is a big part of why experts recommend keeping your crypto investments to less than 5% of your portfolio to begin with.

But how high will Bitcoin go? Plenty of experts say it's only a matter of when, not if, it Bitcoin hits \$100,000. Bitcoin's past may provide some clues as to what to expect looking forward, according to Kiana Danial, author of "Cryptocurrency Investing for Dummies."

Danial says there have been plenty of huge spikes followed by pullbacks in Bitcoin's price since 2011. "What I expect from Bitcoin is volatility short-term and growth long-term."

What Bitcoin price volatility means for investors

Bitcoin's volatility is more reason for investors to play a steady long game. If you're buying for long-term growth potential, then don't worry about short-term swings. The best thing you can do is not look at your cryptocurrency investment, or "set it and forget it." As experts continue to tell us each time there's a price swing — whether up or down — emotional reaction can cause investors to act rashly and make decisions that result in losses on their investment.

The Future of Cryptocurrency

We can speculate on what value cryptocurrency may have for investors in the coming months and years (and many will), but the reality is it's still a new and speculative investment, without much history on which to base predictions. No matter what a given expert thinks or says, no one really knows. That's why it's



...ing.

“If you were to wake one morning to find that crypto has been banned by the developed nations and it became worthless, would you be OK?” Frederick Stanield, a CFP with Lifewater Wealth Management in Atlanta, Georgia, [told NextAdvisor recently](#).

Keep your investments small, and never put crypto investments above any other financial goals like saving for retirement and paying off high interest debt.

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