Top 5 reasons to consider Bitcoin as an investment

The Little Book About **Investing in Bitcoin**

Written by
Ulrik Lykke

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Introduction

The economic game we all play isn't a fair one. The reality is that it greatly benefits those who understand it at the cost of those who don't. Even if we recognise the game is unfair, there hasn't really been a way to escape it – at least not until today.

I believe that we stand before a historic moment in time where there may be a monumental shift in the economic game. But for once, the change ahead has the potential to benefit the many, not just the few.

That change is called **Bitcoin**, and I believe it's one of the most ground-breaking innovations in our lifetime. Potentially also one of the best investment opportunities of this decade.
In fact, I believe that the emergence of Bitcoin has changed the very concept of money and that we stand before one of the largest wealth transfers in human history; a transfer from those who don't understand Bitcoin, to those who do. I hope that you'll be the latter!

There's already been lots of great literature written about what Bitcoin is and what it means to the world. It'd be too ambitious a goal for this little booklet to contribute anything meaningful to that conversation.

Instead, I hope that by highlighting the sensibility of Bitcoin as an investment opportunity, your curiosity will be awakened to learn more about this phenomenon. If I'm successful, you'll find the booklet short and digestible enough that you may even want to share it with a loved one, a friend, or a colleague.

I'm *so* passionate about this message that I encourage you to distribute, edit, and otherwise copy all contents from this booklet - as long as you credit me in some way. Please share it.

Finally, if you found any of the information provided here meaningful, chances are you'll also like what I write in my weekly newsletter Bitcoin Global Macro or my scribbles on Twitter/X.

Happy reading, and best of luck.

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Money just ain't what it used to be

Money has changed its form many times throughout human history. Today, there are more than 180 different types of currencies in circulation, which we typically refer to when we talk about "money".

Sadly, these forms of currency are subject to inflation – that eroding force that eats into our purchasing power over time, causing the price of goods and services to increase in the long run. Most of us have felt the effects of inflation but even if we haven't, we've all heard stories about how it was possible to get a ticket to the movies and popcorn for less than $5 at some point. Try doing that today!

Our money is losing its value. It hasn't always been like this, but when President Nixon ended the direct correlation of the United States dollar to gold in 1971, the game changed completely. The abolition of the gold standard meant the supply of money was no longer tied to the supply of gold, which gave central banks more flexibility in managing the money supply.

This change not only made the global monetary system more subject to corruption and political influence but also greatly influenced the dynamics of inflation in the modern era.

The nature of inflation challenges everything we've been taught about saving. **If we simply store our wealth away in cash, it'll certainly lose value over time due to inflation.** An idea that might seem obvious would be that placing our money in the right currency would solve this issue. But while we could alleviate the degree of inflation by having wealth in US dollars instead of in the Ugandan shilling, the sad truth is that all modern currencies are heavily subject to inflation.

In some countries, inflation is, of course, less impactful than others – but for some economies, the consequences of inflation have devastating effects on the ability to store value, even in the short term. Take the example of the Venezuelan bolívar. Since January 2020, the bolívar has lost more than 99% of its value to the US dollar.

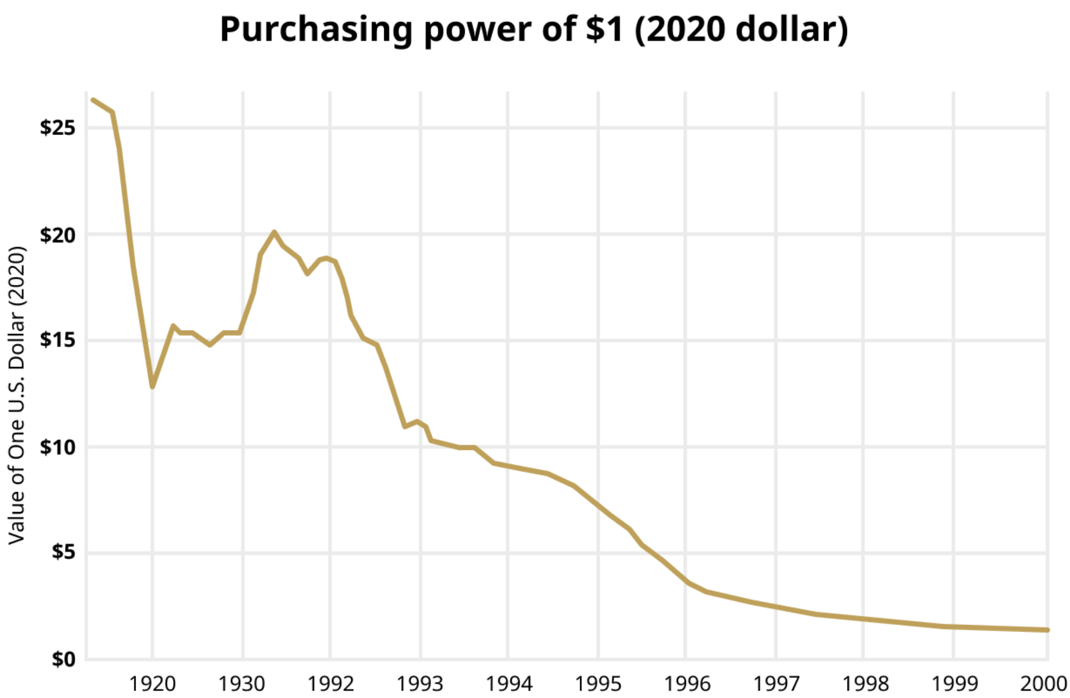
Sadly, this isn't a unique case. Meanwhile, more than 25 currencies suffered over a 50% loss in value to the US dollar during the same time frame, including the Lebanese pound, the Argentine peso, and the Turkish lira.

Inflation, coming to a town near you

If you're situated in Germany or the United States, chances are you'll be thinking less about inflation than if you're in Turkey. However, even if the inflation issue is less serious for currencies like the euro or the US dollar, you'll likely be surprised how significant it becomes over time.

Take, for example, the US dollar, which has been the world's reserve currency since the Second World War and is widely regarded as the strongest currency.

The dollar is typically subject to inflation rates of 2-4% yearly but has, since the beginning of 2020, lost well beyond 20% of its value. **That's a heavy loss in only four years, and it becomes even greater when we look over longer periods of time.** If you examine the US dollar over the last century, it's lost more than 96% of its value.



Source: Bureau of Labour Statistics, Morris County Library of Historic Prices.

The supply mechanics of money are broken

One of the main correlative factors for inflation and currency devaluation is the amount of new money supply being added into circulation. **Generally, the greater the issuance of fiat currency in circulation, the higher the rates of inflation.** This is also the core reason inflation has skyrocketed so heavily in the post-COVID era, as most governments printed a lot of money during the pandemic and made cheap credit available through low-interest policies.

That economic jargon might sound a little bit complicated, but the main takeaway is that **it's no longer sufficient to keep your savings in the bank if you want to keep your purchasing power.** At the same time, central banks have proven again and again that they're incapable of keeping the issues of inflation under control. In the U.S., for instance, the annual inflation rate is currently at 3.1% – that's more than 50% higher than what the Federal Reserve refers to as their “target inflation rate”.

The consequence of that is that any asset you’re invested in with a lower return of capital than the yearly inflation rate is a bad investment measured on the return of capital you can expect. Practically all money automatically falls within this purview given that there are no returns for holding idle cash (discounting any potential interest).

In other words, **a normal ‘saving’-mentality where you earn your paycheck and deposit it into your savings account simply doesn’t cut it anymore** in a world where governments can print more money infinitely.

“Bitcoin is a classic network effect, a positive feedback loop. The more people who use Bitcoin, the more valuable Bitcoin is for everyone who uses it, and the higher the incentive for the next user to start using the technology. Bitcoin shares this network effect property with the telephone system, the web, and popular Internet services like eBay and Facebook.”

— Marc Andreessen, Entrepreneur & Investor

The only way to escape inflation is to invest

Now that we've established that the money we use isn't the best tool for maintaining purchasing power, we have to examine what we can do about it.

For this, we must turn to investing, because **investing is the only way we can earn a high enough return on our capital to battle the pace of inflation.** Simply put, we need to earn a higher return on our money than what we lose to inflation.

There are generally two ways we can invest our money: actively and passively.

Investing actively

Investing actively means that labour or skill will somehow be necessary for our investment. As an example, consider how a wood craftsman looking to build kitchen tables will need to invest in timber before he can eventually sell his tables at a profit.

It may seem like a handsome investment trade, as many of us are already putting our time into active work, and may not be looking for another labour-intensive investment hustle (let alone one where we'll need to make kitchen tables). **Additionally, even if we did want to pursue an active investment, we would soon have to consider the natural limitation of time and capacity.**

If the craftsman decides to invest the proceeds from his sales into more timber which he could then transform into even more kitchen tables, he would sooner or later find himself at capacity – meaning there is only so much he can build at one time.

Naturally, the craftsman could overcome this issue by hiring staff to help him with the woodwork, but even so, there would be no guarantee that there would be enough demand to satisfy his increase in production costs and capacity.

Investing passively

Since most people aren't looking for additional forms of strenuous work for themselves, passive investments are often more suitable or desirable. These are investments one can make, and then lean back and not touch for a while.

The downside here is that we, as the labelling suggests, will have little to no influence on how a passive investment will perform. But on the flip side, there are virtually limitless ways of investing your capital passively. **The main investment categories in today's financial markets are real estate, stocks, bonds, commodities, and unlisted companies.**

How people structure their basket of investments differs greatly depending on competence, risk tolerance, and time frame. The old rule of thumb when it came to investments was to buy your own house, and then position whatever capital you would accumulate over time into 60% stocks and 40% bonds.

Ordinarily, I'd advise against any cookie-cutter method when it comes to investing but the above strategy has actually worked remarkably well. If we generalise a bit across markets, the average annualised growth rate for U.S. real estate has been 8.6% since 1980, while that of the S&P 500, including dividends, stands at around 14%. As for the bond market, the average annual return between 1980 and 1999 was 10.21% but declined to 5.77% between 2000 and 2020.

An argument can be made that this old investing rule of thumb has reached its maturity and that we should think about restructuring portfolios. However, diving deep into that dialogue is a bit beyond what I intend to discuss here, so instead, I'll simply propose that we consider another asset class to add to our portfolio which I call "store of value assets".

Store of value assets

These are assets with a limited supply that can serve as a place to store value. **A Store of Value (SoV) is an asset that preserves and accrues (monetary) value in the future.** This property makes an SoV easier to save, store, or exchange at a later time and is therefore "desirable" by the market. When speaking about SoV assets, the precious metal gold is by far the most acknowledged one.

Bitcoin: The investment opportunity of a lifetime

Just a glimpse at the Bitcoin price chart should make it clear how phenomenal an investment opportunity BTC has been over the last 13 years.

Investment professionals, if they're any good, will immediately tell you that the past performance of any investment isn't a guarantee of its future success. That's true for any investment, and naturally also for Bitcoin.

The price of BTC since 2010 to now shown on a logarithmic scale

The meteoric Bitcoin rise wasn't a coincidence

Only when we examine the fundamentals of Bitcoin can we begin to appreciate why it has risen so dramatically in price over its lifespan. In doing so, we'll realise that those fundamentals have only improved over time and that the likelihood of Bitcoin's success is becoming greater and greater. Because, even if BTC has already risen immensely since its inception there's, with great certainty, a prosperous path ahead if it continues on its trajectory.

These are central **characteristics of a good investment: something of quality with promising fundamentals and trends and is currently undervalued by the market.** At least that's how Warren Buffet and the late Charlie Munger, two of the world's most appreciated value investors, would describe it. Of course, neither of the two ever managed to understand Bitcoin – but that's beside the point.

The rest of this chapter will go over 5 fundamental reasons why I believe the case for investing in Bitcoin is solid as a rock.

1. There's a finite amount of Bitcoin available

One of the key things to understand about Bitcoin is that it's deflationary by design. Only 21 million BTC will ever exist. This is an attribute that's hard coded into its DNA, and cannot change.

The limited supply ensures that Bitcoin isn't subject to the whims of monetary policy or government influence, and is the exact reason why Bitcoin is often referred to as "digital gold". Bitcoin's capped supply doesn't hinder its utility because the smallest division of a Bitcoin is called a "Satoshi" which has the value of 1/100 millionth of a full Bitcoin or 0.00000001 BTC.

At the time of writing (February 2024), more than 19 million BTC have already been mined, leaving less than 2 million left to be released into circulation. Due to the high predictability of distribution of the outstanding coins, we know that the year 2140 will be the year when the last BTC is sent into circulation.

It can be very difficult to fully appreciate this scarcity. However, for a second, think about the fact that in Bitcoin's first 14 years of existence, a little more than 90% of the total supply has been mined. That leaves 10% (or 2 million BTC) to be mined between now and the year 2140 – when the last BTC will be mined.

Due to Bitcoin's halving event, which takes place every four years, the supply rate will continue to drastically drop:

2024 Halving: The reward drops to 3.125 BTC.
2028 Halving: The reward drops to 1.5625 BTC.
2032 Halving: The reward drops to 0.78125 BTC.

In other words, the first 14 years saw roughly 19 million BTC or 90% being distributed. During the next 14 years, a mere 8% or 1.7 million BTC are to be distributed. After that, less than 2% will be released into the network between the years 2037 and 2140 when the last BTC will be sent into circulation.

Not enough coins for every millionaire

The limited supply becomes apparent when you start to think about how great of a demand there could be for BTC. Think about how little BTC would be available, should all the world's millionaires be interested.

Globally, there are around 56 million US-dollar millionaires. If they all decide to own just some amount of BTC, the average will be a maximum of 0.375 BTC per millionaire. And that's not even taking into account that around 4 million BTC is lost forever (lost private keys, forgotten wallets, discarded hardware, deaths, etc.).

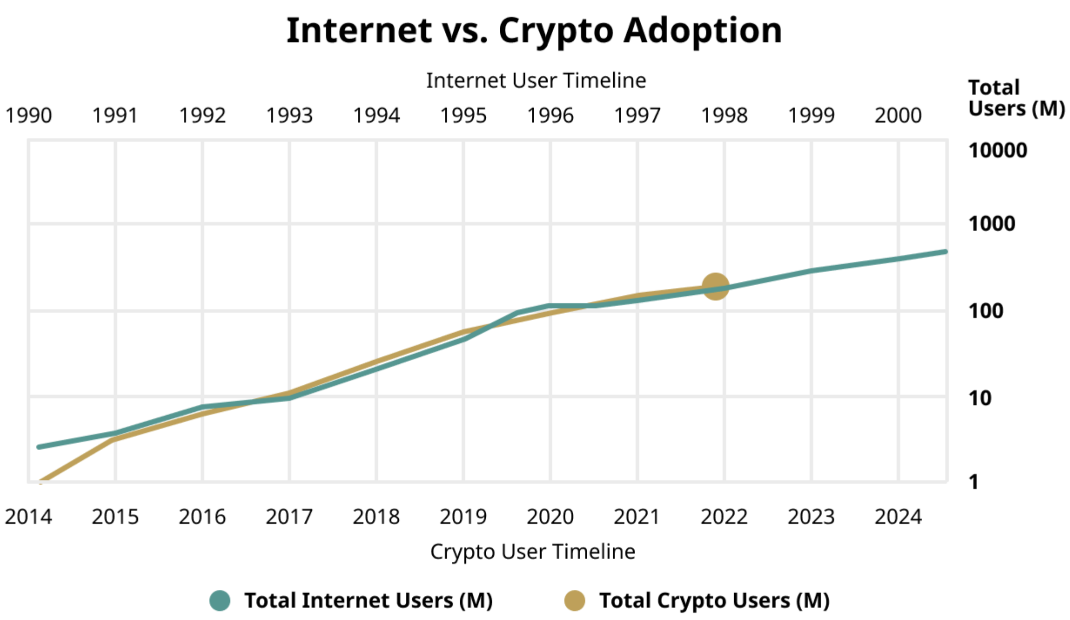
If we take the lost BTC into account, the maximum ownership will be 0.30 BTC per millionaire. Let's also consider the fact that a lot of Bitcoin in circulation is owned by people who aren't willing to sell so easily, and the large number of millionaires who still don't own any, the number is likely much lower. And that calculation is only based on private individuals.

What happens when we factor in the growing interest from companies, funds, and financial institutions?

2. Bitcoin adoption is on par with the internet

Much like the adoption of the internet in the late '90s, Bitcoin has experienced a comparable trajectory in the popularity it's gained over the past 15 years. In 1996, only 0.9% of the global population was using the internet, marking a crucial moment just before its explosive growth. In the short period from 1996 to 2000, global internet adoption grew fivefold, reaching a staggering 361 million users.

For Bitcoin, it's estimated that, at the time of writing, more than 67 million Bitcoin addresses that hold a balance of $1 or more exist. This figure corresponds to 0.85% of the world's population, mirroring the internet adoption rates of 1996 just before the dot-com frenzy.



From an adoption point of view, the comparison between the internet and Bitcoin is interesting because **it shows how quickly adoption can happen when a new technology takes proper footing.** Today, internet adoption has skyrocketed and more than 60% of the world's population has access.

New paradigms are a great option for investors

For investors in technology, the Internet adoption curve provided almost endless investment opportunities. New business models and new ways of doing commerce were emerging. I'll refrain from making arguments about how splendid an investment in companies such as Amazon, Google, or eBay turned out to be.

That's the problem with **winning investment ideas: they are always obvious in hindsight.** When we think about the success of Google, we forget how many companies were competing in the same field, and how few are around today. Picking the winner from the losers is no easy task, and this is likely part of the reason why "passive" investments in broader indexes almost always out-compete an investor's ability to pick individual stocks.

Investing in infrastructure instead of companies

Imagine you're sent back to 1996 with all the knowledge you possess about today's internet use – but with zero information about which companies will turn out to be the winners of the dot-com era. Would you be better suited to pick the winners from the losers compared to the average technology investor from 1996? Maybe… maybe not.

I believe you'd have less of an edge than you think. The real advantage, I think, would lie in your awareness of what influence the internet would hold two decades down the line. You wouldn't second guess whether the internet would catch on or not. Instead, you could focus your energy entirely on the opportunities in front of you. **Imagine though, how much easier your life as an investor would be if instead of focusing on picking winning companies, you could've invested in the infrastructure** that powered the internet.

TCP/IP, also called Transmission Control Protocol/Internet Protocol, is the suite of communication protocols responsible for interconnecting network devices on the Internet. It facilitates the transmission of data across networks and ensures that packets of data sent back and forth are received intact and in order. Investing in this technology wasn't possible because it's not a company or a financial asset, but rather a fundamental set of protocols that underpin the internet.

Bitcoin is a chance to invest in an infrastructure

Bitcoin is an open and decentralised financial system where different entities can interact with each other without the involvement of central authorities. Bitcoin is open source - anyone can use it and gain access to it. That sounds an awful lot like the description of the TCP/IP protocol, doesn't it? **Perhaps, we should consider if Bitcoin will be the "protocol of value" the same way TCP/IP became the "protocol of information".**

Drawing parallels between Bitcoin and TCP/IP offers a compelling perspective. Like TCP/IP, Bitcoin isn't a company, it doesn't have employees nor does it seek to yield a dividend for its investors or produce shareholder value. Yet, Bitcoin offers the opportunity for you to invest in its native token called BTC, allowing you to capitalise on the price appreciation driven by the increase in demand.

3. Retail investors have an opportunity to get in early

When Bitcoin was first released, it was a fringe concept with a very uncertain future. And so, its earliest adopters weren't traditional investors but anarchist cypherpunks, drawn to Bitcoin's promise of monetary freedom and privacy. These pioneers saw Bitcoin not just as a currency but as a revolutionary tool challenging the status quo of financial systems.

As Bitcoin started to gain traction and find its way into trading exchanges, a new demographic began to take notice: tech-savvy individuals who were also often outside the conventional financial sphere. This group was attracted by the novelty and potential of Bitcoin, recognising an opportunity in what was still widely considered a niche, speculative venture.

During these first formative years, Bitcoin's future was very uncertain. However, the **growing interest had a direct impact on BTC's valuation, and within the first four years of its existence, the price soared from mere cents to almost a thousand dollars per coin.** This remarkable growth catapulted Bitcoin into the media spotlight, drawing the attention of retail investors worldwide.

Typically, when you hear about good investment opportunities, you'll hear how "the smart money" got in first and reaped the majority of profits. But with Bitcoin, that sequence has been turned upside down. Not because institutional investors have been oblivious to Bitcoin's existence, but because there have simply been too many hurdles for them to overcome.

Hurdles such as:

- General scepticism
- Violent volatility of BTC
- Regulatory uncertainty
- Questionable pricing mechanism
- High counterparty risk
- Complicated custody
- Lack of knowledge of accounting and tax implications

With that in mind, it's no surprise that it's taken a long time for traditional investors to see the light. However, the days when retail investors dominate Bitcoin investing could soon be numbered since the number of traditional institutions getting on board today is staggering.

Exchange-Traded Funds (ETFs) and Bitcoin: A New Era

The Bitcoin investment landscape underwent a monumental shift on January 11th, 2024 when the U.S. Securities and Exchange Commission (SEC) green-lit nine applications for Bitcoin spot ETFs.

What's an ETF and why are they important?

An ETF, or exchange-traded fund, is a type of investment fund that tracks the underlying asset. In the case of a Bitcoin ETF, Bitcoin will be held on the funds balance sheet, and its performance thereby would mimic that of Bitcoin.

The importance of the Bitcoin ETFs is that they remove all of the major hurdles that have been standing in the way for traditional investors to get exposure to BTC. Gone are the days when investors need to think about crypto exchange setups, security, tax uncertainty, accounting difficulties and finding supportive banking gateways to the economy.

Instead, they can now **seamlessly buy and sell Bitcoin ETFs directly on their investment accounts.** In other words: The floodgates are now wide-open.

This is significant for a number of reasons. First, it legitimises Bitcoin as an asset, and removes it from its previous obscurity. Secondly, it greatly multiplies the total addressable market, i.e. the number of investors who can get exposure.

A quick look at the companies behind these new ETF-products says it all: BlackRock, WisdomTree, Fidelity and Franklin Templeton are all company names among the issuers and also all happen to be among the biggest asset managers in the world.

Each of these issuers are incentivised to attract as much capital as possible to their ETFs. And this is where the issuer names become important. Take BlackRock as an example. They are the largest asset manager in the world and command more than $10 trillion and employ more than 20 000 people.

When you consider the potential for just 1% to 3% of the total capital from a company like BlackRock to flow into their Bitcoin ETF - the implications become very profound for BTC valuations.

The green-lighting of these applications for Bitcoin spot ETFs has already started to make a significant impact on market dynamics. Right now, the combined Bitcoin ETFs currently represent an average buy demand of around 4 000 BTC per trading session, which is **equivalent to more than 4 times that of the daily supply of BTC being released** into the network daily. By the next Bitcoin halving, the rate of distribution will be cut in half.

Companies, countries and family offices

The growing interest in Bitcoin isn't confined to fund managers alone. According to a report by crypto media company The Block, 52% of Fortune 500 companies have, at some point, pursued Web3 initiatives.

Simultaneously, family offices – which generally have much looser investment mandates than their institutional counterparts – have already jumped on the bandwagon. A survey conducted this year by UBS revealed that 56% of their wealth clients, mostly consisting of family offices, already had exposure to Bitcoin and that 36% of those were looking to increase their exposure.

Arguably, the most important company to have invested in Bitcoin is Microstrategy. **In 2020, MicroStrategy made history as the first publicly traded company to include BTC on its balance sheet, acquiring $425 million worth of BTC at the time.** Since then, the company, led by Michael Saylor, has continued to accumulate BTC and is now holding an astounding 158,400 BTC worth around $6.6B.

Meanwhile, El Salvador became the first country to embrace Bitcoin as legal tender, making a significant investment of up to $85.5 million to purchase BTC in 2021. That said, the journey toward adoption by institutions and countries has been far from seamless. El Salvador has faced opposition from the IMF regarding its decision to adopt Bitcoin as legal tender, while institutions, especially in the U.S., have yet to receive the green light from the relevant authorities.

4. Bitcoin shares the fundamental properties of gold

Most of Bitcoin's intrinsic properties are similar to those of gold, which is why it's sometimes referred to as "digital gold".' In fact, I think an argument can be made that Bitcoin is superior to gold on all accords, except for maybe gold's historical importance, and the ability to make physical jewellery and electrical conductors with it.

Yet, as of writing, the total market capitalization of gold stands at $13.6 trillion, while Bitcoin's entire network value is worth only $801 billion – less than 6% of the total value of gold. It's interesting to speculate whether the same properties that have been valuation drivers for gold will work for Bitcoin. If they do, the path ahead is likely very positive.

A critical property shared by both assets is scarcity. Bitcoin, capped at 21 million coins, mirrors the finite nature of gold. This scarcity principle aligns with basic economic theory: as supply dwindles and assuming demand remains or increases, the value of both assets is likely to rise.

Another shared feature is decentralisation. Bitcoin operates on a blockchain, a distributed ledger maintained by a network of nodes, making it independent of governmental or central control. Gold also enjoys a similar independence. Its value is not directly linked to the policies of any particular nation or financial institution but is influenced by global market dynamics. This decentralisation shields both Bitcoin and gold from repressive and manipulative practices imposed by central authorities.

As a store of value, gold has centuries of history backing its reputation. Bitcoin, although a relatively new phenomenon, has shown great potential. For instance, **a $1 investment in Bitcoin in 2010 would have grown to around $68 million today, significantly outperforming the same investment in gold,** which would only be worth about $1.81!

And although Bitcoin and gold share several fundamental characteristics – including scarcity, decentralisation, and value preservation – their unique traits cater to different aspects of the modern investment landscape. Bitcoin, with its digital nature, appeals to a new era of investors, whilst gold continues to be labelled a safe haven for traditional investing.

5. A truly accessible global asset

Bitcoin stands out from almost all other investment opportunities because of how accessible it is. Bitcoin doesn't care what country you're from, what your economic profile, investment experience or yearly income is. All Bitcoin requires is an electronic device with an internet connection.

Bitcoin can be...

- accessed from anywhere in the world,
- traded directly from person to person,
- used to pay for goods and services,
- stored safely using only a passphrase,
- used to transfer wealth across continents.

Bitcoin's rise in emerging nations

These features have made it very popular in emerging economies where access to standard financial services is limited. In some African countries, where traditional banking is less common, Bitcoin delivers a reliable alternative to the traditional banking system so that people can send and receive payments. Countries such as India, Vietnam and Pakistan are now seeing a similar rapid increase in Bitcoin used for payments.

Another advantage of Bitcoin is that it's always available. Unlike banks and stock markets, which close on weekends and holidays, **the Bitcoin network operates non-stop with a 100% uptime.** The latter part here is often a bit underestimated but when you think about how many times billion-dollar companies like Google or Facebook have gone offline with their services over the last decade, you can appreciate what a great accomplishment this actually is.

"Everyone gets to buy Bitcoin at the price they deserve."

— Michael Saylor, CEO of Microstrategy

How to get started & risk management

I hope you'll agree that, in the preceding sections, I've delivered a somewhat compelling case for why Bitcoin is a sensible investment. However, with investing, it's important to understand the gap that exists between the analytical assessment and the practical execution.

For a beast like Bitcoin, that consideration is perhaps even more important because of its very aggressive price volatility. BTC's intraday volatility can sometimes range as high as 10%, which means that on any given day it's not unheard of for the price to move up or down by 10%. That can be difficult to stomach, especially if the price moves against you right after you've placed your investment. This would mean you're now down 10% on your investment and feeling like an absolute sucker.

For this reason, it's important to have a good plan before you take the plunge. Assuming you want to buy Bitcoin worth $1000; instead of buying the entire lot in one go, it might be smart to divide your entry over multiple purchases. This will allow you to steady your average entry price, making the downside risk to your portfolio smaller.

There are many ways you can choose to split your $1000. **The safest strategy by far is called *Dollar Cost Averaging*. The idea is that you decide on the timespan in which you want your entire capital invested.** Let's say you pick a timeframe of 10 weeks. That gives you a total of 70 days to invest your $1000, so you'd need to be investing about $15 bucks per day.

Of course, this is easier said than done. Primarily because most investors lack the discipline to buy equal quantities every single day. This is why I normally advise moving in with ¼ of the capital right away and then putting systematic and periodic buys weekly to smooth out your entry positions throughout the targeted period.

The idea with this strategy is that you minimise your risk in regards to short-term down price movements by entering the market in tranches over longer periods. If the price moves up, good for you! You're winning on your investment. If the price moves down, you have an excellent opportunity to lower your average entry price on the investment.

You must invest longer than 3 years

Bitcoin has delivered a compounded return of around 100% per year for every year in existence. That's absolutely remarkable and anyone who doesn't find that attractive is out of their minds.

The other side of the coin (wordplay, intended!) is that investing in shorter time frames, i.e. less than a few years, has also generated devastating results. Losses of 80% or even 90% in value are not uncommon.

During such times of valuation contraction, it becomes very difficult to be a Bitcoin holder as you must be able to weather drastic drawdowns on your investment. If you're considering a serious investment in Bitcoin, I advocate **adopting a long-term perspective of a minimum of 3-5 years.**

Portfolio and risk management

Risk management is a personalised journey in investing. It varies depending on individual objectives, risk tolerance, and investment timeframe.

A fundamental rule in investing is that higher expected returns are usually accompanied by higher risks. When an investment, like Bitcoin, offers high potential returns, the risks are, of course, also equally elevated.

When it comes to integrating Bitcoin into your investment portfolio, I think the key for most people is diversification.

The most important thing you can do with your Bitcoin investing is to consider your investment size, in relation to the rest of your portfolio. Allocating a portion of your portfolio to Bitcoin can be a strategic move, although the percentage of allocation should reflect your risk tolerance and investment goals.

For some, a conservative 3-5% allocation may be appropriate, whilst others might be comfortable with an aggressive 75% if they're risk-tolerant.

People like me, the absolute lunatics, are happily investing an even higher percentage of their liquid net worth into BTC. I don't encourage that kind of behaviour and risk-taking since I'm a firm believer that **you should never invest more money than you can afford to lose.**

On the other hand, I'm also in agreement with Warren Buffet when he says that there will likely only be a few great investment ideas in your lifetime, and when they appear, you better hit them. Needless to say, I believe Bitcoin is one such opportunity and I'm putting my money where my mouth is.