Will buying Bitcoin make you a millionaire? Here's what to know about investing today.

Source: Getty Images

Bitcoin — the controversial cryptocurrency that's been used to pay for everything from illicit drugs to possibly lifesaving research — seems to be on an unstoppable tear lately, with prices having doubled to more than $2,000 in the past two months. As CNBC points out, if you'd bought $100 in bitcoin seven years ago, you'd now have more than $70 million worth of the currency.

Think you may have missed the wave? It's possible. The currency is highly unpredictable: “This is a speculative bet, with ‘speculative’ in all caps,” Duke University finance professor Campbell Harvey said in a phone interview.

That means if you're thinking of buying bitcoin, you shouldn't be putting in more money than you think you'd be willing to afford to lose. As a rule of thumb, never invest more than you can afford to lose.
Will buying Bitcoin make you a millionaire? Here's what to know about investing today.

thumb, first make sure you're funding retirement savings and an emergency fund — and that you've covered all your financial and budgetary essentials.

All set? Then putting up $100 or so of your “fun” cash into Bitcoin might be harmless, especially if it is money you’ve saved by reducing other parts of your “fun” budget, say by skipping booze for the month or forgoing Seamless.

It’s not necessary to purchase bitcoin in whole units; you don’t need to spend $2,000 to get in on the game. You can actually purchase any fractional bitcoin amount for however much you feel like spending. If you want to buy just $5, you can buy 1/400th of a bitcoin by specifying that amount on one of the various bitcoin exchange sites. Among the more trusted sites for purchasing bitcoin are Kraken and GDAX.

Plus, previous rallies show bitcoin price increases can stretch out over the course of weeks, if not longer. When bitcoin first went from $200 to $1,000 in 2013, it happened over the course of several weeks. This latest rally, depending on how you want to count it, began a year ago. The acute price jump we’re seeing now began at the end of March.

"Bitcoin could go from $2,100 to $1,500," Harvey said, "but it could also go to $3,000." Still, as a rule of thumb, he said, investing when an asset is at an all-time high is not a great long-term strategy.

Advertisement

Jacob Elissoff — manager of Calibrated Markets, a unit of a New York-based investment fund that specializes in bitcoin and other digital currencies — said he agrees. "Probably this is mostly just another self-perpetuating momentum-based bubble: relatively uninformed speculators seeing other people make money fast and trying the same," he said in an email.

"I still feel there’s a strong long-term case for average investors putting a bit into the more fundamentally sound coins like bitcoin and ethereum," he continued, "but the current frenzy makes it a dangerous time to get in."

In short, it's likely you've already missed out on the recent monster gains, and you shouldn't expect double-digit returns to come quickly or easily. Still, you don't need to completely write off the opportunity.

A few "fun" bucks in bitcoin today might easily be worth way more in a few years. People laughed at the idea of investing in a random online bookseller in 1997 — for just $18 a share — that wasn't making any money; 20 years
Will buying Bitcoin make you a millionaire? Here's what to know about investing today.

In 1997, for just one share at the time it wasn’t making any money, 25 years later, shares of the company, Amazon, are worth more than $950 a pop.

Sign up for The Payoff — your weekly crash course on how to live your best financial life. Additionally, for all your burning money questions, check out Mic’s credit, savings, career, investing and health care hubs for more information — that pays off.

STAY UPDATED

Get The Payoff, your weekly crash course on how to live your best financial life.

Enter your email address

SUBSCRIBE

FEATURED

32m ago  By Emily C. Singer

Tillerson won't host a single Ramadan event at
https://mic.com/articles/177823/will-buying-bitcoin-make-you-a-millionaire-here-s-what-to-know-about-investing-today#K1uJBm1Dt

3/7
Research shows Greenland is melting in a more alarming way than scientists thought

By Anna Swartz

Florida Gov. Rick Scott is putting an end to the state’s tampon tax

By Marie Solis

What Mark Zuckerberg gets wrong about finding your "purpose"

By James Dannin
Groundbreaking NASA discoveries reveal scientists were all wrong about Jupiter

10 secrets to saving money on literally everything

By Payoff Staff

Trump’s foreign trip hasn’t helped his dismal poll numbers

Out of Office 59m ago

NEWS 1h ago
Research shows Greenland is melting in a more alarming way than scientists thought

By Anna Swartz

This drone lets you become a Jedi
Bill Cosby tries to win black support before trial, despite years of berating black people

By Zak Cheney Rice

President Donald Trump issues Ramadan statement, makes it mostly about terrorism

By Zak Cheney Rice

Here's how to save for retirement as a freelancer

By Rob Wile

Texas teacher gives 13-year-old girl 'most likely to become a terrorist' award

By Sarah A. Harvard

This is the summer to get TSA PreCheck — here's why and how

Out of Office

Why traveling within the US could be cheaper than ever this summer

Out of Office