

bitcoin PROFIT SECRETS



GUIDE 7:

Using Bitcoin as an investment strategy

Using Bitcoin As An Investment Strategy

Bitcoin is a relatively new form of currency which is just starting to gain traction and worldwide acceptance. With the recent exponential growth in the value of Bitcoin, many people are investing in this digital currency to hopefully reap huge profits in the future.

In this guide, we will cover the basics of using bitcoin as an investment strategy. Note that we are referring to long-term investment here which is not the same as trading bitcoin for short-term profits.

Investing in the highly volatile cryptocurrency market may not seem like such a good idea for some people. Ideally, you'd have nerves of steel, the discipline and focus to ignore short-term gains, as well as the patience to hold your investment until the right time comes.

If you're really determined to own a small share of the crypto-market, then you should at least know the most suitable methods so you can make the most of your investment.

Bitcoin Investment Methods

Dollar Cost Averaging Method

This strategy is best for beginners to the investing world because you don't need to worry about entering the market at the right time.

You don't have to stress yourself waiting for the price of bitcoin to go down; rather, you just buy at regular time intervals to spread the risk and hold/store your bitcoins in a cold, secure wallet (like a paper wallet or hardware wallet).

For example, if you have an extra \$100 to spare every week, you can buy bitcoins every week. Some weeks your \$100 may buy you more bitcoin, and some weeks the same amount will buy you less.

This method gives you peace of mind because you don't need to worry about the dips in bitcoin price.

You just have to be disciplined enough to follow your regular schedule and buy when you need to buy without looking at the bitcoin price charts. You don't wait for the price to go down just because you see a downward trend on the charts, you just go right out and buy your bitcoins.

With the dollar cost averaging method, your profits will also average out when you decide to sell your bitcoins. It might not come anywhere close to profits if you invested using the lump sum method, but if you sell at the right time (when the price is high), you'll still make a healthy profit from your investment.

Lump Sum Investing Method

The lump sum method is a much riskier method of investing bitcoins because you will be buying your bitcoins at a single price point.

If you have \$100,000 to invest, you will, of course, want to buy the most number of bitcoins, so you wait for the price to go down. To maximize your

investment, you will be compelled to wait for the possible lowest price before buying your bitcoins.

This method means you will have to 'time' the market, so you buy at just the right time. Of course, this is easier said than done with a volatile commodity like bitcoin. The price varies so much it's extremely difficult to predict when the next price dip is so you can buy at that price.

Trying to time the market can cause a lot of headache and stress to an inexperienced investor. It just brings too many 'what ifs' to mind, such as:

'What if I just wait a few more hours, the price may go down, and I'd be able to buy more bitcoins then.' Or *'What if the price never goes down to the price I want to buy bitcoins at, I'll never be able to buy bitcoins.'*

When it comes to selling off your lump sum investment in the future, you may find it hard to sell as well because you'll be waiting to sell at the right time so you can make the most profit.

You'll try to predict the highest price point, and you'll berate yourself if you sold too soon and lose out on the possibility of much greater profit.

The good thing with lump sum investment method though is if you manage to buy at the lowest possible price and sell at the highest possible price, then you'll make a much bigger profit than if you invested bitcoins using the dollar cost averaging method.

Crypto Hedge Fund Investing Method

If you don't want to trouble yourself with learning the basics of investing using either the dollar cost averaging method or the lump sum method, you might be better off investing your money in a cryptocurrency hedge fund. However, this option is best suited for people who can afford to pay their hefty management and performance fees.

The management fee is paid upfront; some funds require a 2% management fee so if you're investing \$100,000, \$2,000 of that is going to the management fee which means only \$98,000 will be invested in cryptocurrency.

Also, your hedge fund manager will get a percentage of your profits. Some managers require a 20% performance fee so if you profit \$50,000 from your investment, \$10,000 of that is going to be paid as an incentive fee.

The hedge fund method may not suit everyone, but if you look beyond the fees, you're at least looking at a hands-off approach to investing which could prove to be very profitable for both you and your hedge fund manager.

Strategies To Succeed In Bitcoin Investing

Investing in bitcoin is similar to investing in stocks. Both are high risk and high reward investments which, undoubtedly, is not for everyone.

Bitcoin is even more volatile than stocks so if you want to invest in this cryptocurrency or any other crypto for that matter, you need to know the following strategies to succeed.

Have A Solid Plan In Place

Don't invest blindly and don't invest just because everyone you know has bought bitcoins. When investing, you need to have a good, solid plan in place where you draw your entry point and your exit point.

Your plan will need to be in accordance with the investment method you'll choose to follow. So if you choose the dollar cost averaging method, you need to have a solid plan like how much and how often you'll be buying bitcoins.

For lump sum investing, you need to know in advance at what price you'll be buying your bitcoins and buy at that price (don't wait for it to go any lower). For hedge fund investing, you need to consider the fees you need to pay and know the best time to invest.

Be Prepared For Volatility

This is the number one strategy you need to master. Everyone knows that bitcoin is a highly volatile investment with prices going up and down by hundreds of dollars in mere minutes. You might think to yourself you already know it's going to be volatile because you've seen the charts and the graphs and you've practiced in a demo bitcoin exchange account.

You can handle the risk, you tell yourself. But when you've got thousands of real dollars on the line, it's a very different scenario. Especially if you've worked hard to get those dollars! You might have worked for it for months or years, and there's a very real chance you could lose it all in just a few minutes.

The best thing you can do is to not bother with the dips at all. Just do something that will help you relax and keep your mind off bitcoins because if you don't, you can literally go crazy. Bitcoin investing is like a roller coaster ride; you just need to hold on really, really tight until you get to the end of the ride!

Keep Calm And Don't Panic

Saying this to panicked investors is very easy, but when you're the panicked one, it's a different feeling altogether. The thought of thousands of dollars down the drain is enough to send anyone to a mental breakdown which would, of course, lead to irrational decisions.

If you don't think clearly, you might think of cutting your losses right there and then without thinking of what's going to happen in the long term. If you played your cards right, your bitcoins would be worth so much more than when you paid for it. But you're never going to experience that if you panic and sell early.

Keep Perspective

Investing in bitcoin is a long-term financial activity. It's different from day-to-day trading which involves a lot more technical analysis so a trader can make a nice profit. When investing in bitcoin, you have zoom out of the bitcoin price charts and look at the overall picture. Don't bother looking at the daily, weekly or monthly charts because it's going to bring you nothing but stress.

Look at how far bitcoin rates have come. From literally a few cents when it first started to thousands of dollars now. And experts are saying this

upward trend will continue for many more years to come so if you ride out the highs and lows of bitcoin, you'll end up with a very nice investment portfolio in a few years.

Don't Spend What You Can't Lose

This is probably the most important advice you need to take note of. You already know investing in highly volatile cryptocurrencies can either make you insanely rich or bankrupt. But it doesn't have to be these two extremes.

You don't have to invest your entire fortune or your entire life savings in bitcoin or any other cryptocurrency!

The most prudent thing you can do is to only invest what you can afford to lose. This means not spending any money that you cannot afford to lose.

Whether you choose to invest using the dollar cost averaging method, lump sum investing method, or maybe even investing in a crypto hedge fund, don't use money that needs to be used somewhere else.

If you've got money set aside for your retirement, a health fund, an emergency fund, or maybe even your kids' college money, don't even think about touching these funds. So many families have fallen apart because of wrong financial decisions and spent such important funds on risky investments.

If you've done something similar in the past and was able to get away with it, that is, you've made some profits, then don't get cocky and think you can do the same with cryptocurrency. It's a different animal, so to speak. It's the

Wild West of investments right now, and you don't want to lose your hard-earned money.

Patience And Discipline Are Keys To Success

Bitcoin investing is a long-term game. You need to be patient when the bitcoin price goes down, and your investment along with it.

If you've looked at bitcoin trends, you'll see it's been in an upward trend since its inception in 2009, so you just need to ride out the troughs until you get to the right crest where you'll be happy to sell your bitcoins.

In the world of Bitcoin investing, there'll be many troughs and crests. You just need the discipline to hold on to your investments and not get scared when prices get too low.

Likewise, don't get too excited when the price goes up. A solid plan, patience, and discipline will lead you to bitcoin investing success.

Hindsight Is Always 20/20

Don't berate yourself if you bought at a price much higher than the current bitcoin price. And there's no point getting angry at yourself if you sold your bitcoins too early when the price goes up after you sold.

No one can predict the future. So the best thing for you to do is just aim to make a tidy profit and not think about the 'what ifs' because that's really not going to help you at all.

As they say, hindsight is always 20/20. To put things into perspective, if everyone can see the future, we would all have invested in bitcoins when it was first introduced by Bitcoin founder, Satoshi Nakamoto.