



MONEY 101

# CRYPTO-CURRENCY RISKS: YOUR GO-TO GUIDE



## We'll walk you through the most common pitfalls of investing in crypto

You might hear that a quick and easy profit can be made from investing your cash into crypto - but you should be aware of the many risks when buying this volatile currency to keep your hard earned money safe and secure!

With so much buzz and media coverage around cryptocurrencies recently, many people have started to invest their hard earned cash into crypto to try and make money fast. This path may be tempting for migrants - who can face obstacles entering traditional financial markets to buy shares or trade stocks - but know that crypto is still a gamble.

## The crypto collapse of 2022

Since the collapse of crypto merchant FTX, one of the world's largest crypto exchanges, the risks of investing in crypto are becoming more widely known. The bankruptcy of FTX has likely led to hundreds of thousands of people losing all their invested money overnight in 2022 - with billions of dollars still missing. On top of all this, all cryptocurrency investors around the world were affected by this collapse with the value of Bitcoin crashing over 20% in a day. Unlike investing in businesses and their respective performance, crypto has *no* underlying asset, meaning its value is based on speculation and is highly sensitive and volatile. Crashes are quite common and unpredictable so crypto's risk of short term loss is high relative to other ways of investing.

## Crypto scams

Beware of fake apps and wallets wanting you to buy their crypto! It's not uncommon that fraudsters will reach out to you in an attempt to steal your money, first by gaining your trust and then getting you to invest using fake crypto apps. On top of this, fraudsters can also hack your smartphone or laptop and transfer your crypto out of your digital wallet. To keep crypto safe, it's advised to keep it in a hardware wallet also known as 'cold storage' - meaning it isn't accessible via the internet. Use this cold storage method and be sure to look up the legitimacy of crypto merchants and research their security measures to decrease your chances of being swindled.



## Institutional adoption of crypto

Unfortunately for cryptocurrency hopefuls, several large economies have banned, restricted or are adverse to adopting crypto as an official legal tender. Nations including China, have taken proactive steps against adopting crypto - raising questions of its present and future value. Each time a country's central bank moves away from adopting crypto, the value drops significantly.

## "Memecoin" and "altcoin" trading

There are thousands of coins out there. Any cryptocurrency that isn't Bitcoin is referred to as an alternative coin or altcoin. Memecoins fall under the altcoin umbrella and have very little practical application at all, so beware. Memecoins are extremely volatile with value being affected by social media trends or celebrity endorsements. Today, the crypto market is flooded and saturated with these kinds of coins with many lacking transparency and accountability.

## The future of crypto in the next five years

It's hard to know what lies ahead for crypto in the near future. It pays to be aware that investing in crypto may be a high risk and little reward affair - so keep your eyes open out there! If the success stories around crypto sound too good to be true, then they most likely are. Invest smart, do your research if you plan on investing your money - and remember the golden rule of investing: only invest with what you can afford to lose.

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