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<https://www.btcc.com/en-US/academy/crypto-basics/a-closer-look-at-how-to-invest-in-cryptocurrency>

### A Closer Look at How to Invest in Cryptocurrency

Although the volatility of cryptocurrency is well known, it is in a hot state, and many investors hope to profit from its white hot rise. Cryptocurrencies such as [Bitcoin](#) and [Ethereum](#) temporarily ebbed and then climbed, and many other popular digital currencies are doing the same. Experienced traders have been hyping [cryptocurrency](#) for many years, but what if you are a novice in the market and want a share?

Here's a closer look at how to start investing in cryptocurrency and what you need to pay attention to.



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## Five Steps to Invest In Cryptocurrency

First, if you want to invest in cryptocurrency, you need to put all your finances in order. This means

having a contingency fund, a controllable debt level, and preferably a diversified portfolio. Your cryptocurrency investment can become another part of your portfolio, hoping it can help improve your total return.

When you start investing in cryptocurrency, please pay attention to these five other things.



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## 1. Understand Your Investment Content

As with any investment, know exactly who you are investing in. If you buy stocks, it's important to read the prospectus and thoroughly analyze these companies. Plan to do the same thing for any cryptocurrency, because there are thousands of cryptocurrencies with different functions, and new cryptocurrencies are produced every day. You need to know the investment case of each transaction.

For many cryptocurrencies, they have no support at all, neither hard assets nor cash flow. For example, this is the case with Bitcoin, where investors rely entirely on someone to pay more for the asset than they paid. In other words, unlike stocks, companies can increase profits and bring you returns in this way. Many cryptocurrency assets must rely on the market to become more optimistic and bullish before you can make a profit.

Some of the most popular coins include Ethereum, [Dogecoin](#), [Cardano](#) and XRP. Solana is another highly successful currency. Therefore, before investing, it is necessary to understand the potential upward and downward trends. If your financial investment is not backed by assets or cash flow, it may end up worthless.

## 2. Remember, The Past Is The Past

One mistake many new investors make is to look at the past and extrapolate it to the future. Yes, Bitcoin used to be worth a few cents, but now it's worth a lot of money. However, the key question is, "will this growth continue into the future, even if it is not at that meteoric rate?"

Investors focus on the future rather than the performance of an asset in the past. What will drive future returns? Traders who buy cryptocurrency today need tomorrow's earnings, not yesterday's.



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### 3. Focus on Volatility

The price of cryptocurrency is a kind of volatility that can be obtained by assets. They may fall rapidly in a few seconds, and this is just a rumor that eventually turns out to be groundless. This may be a good thing for mature investors who can execute transactions quickly, or investors who have a solid grasp of market fundamentals, market trends and possible trends. This is a minefield for new investors without these skills - or the high-energy algorithms that guide these transactions.

Volatility is a game for Wall Street's heavy traders, each of whom is trying to surpass other wealthy investors. A new investor can easily be overwhelmed by volatility.

This is because volatility frightens traders, especially beginners, who are afraid. At the same time, other traders may step in and buy cheaply. In short, volatility can help mature traders "buy low and sell high", while inexperienced investors "buy high and sell low".

### 4. Manage Your Risks

If you trade any asset in the short term, you need to manage your risk, which may be especially true for volatile assets such as cryptocurrencies. Therefore, as a new trader, you need to understand how to best manage risks and develop a process to help you mitigate losses. This process may vary from person to person.

For a long-term investor, risk management may just never sell, regardless of the price. The long-term mentality enables investors to hold positions.

However, for a short-term trader, risk management may be to set strict rules on when to sell, such as when the investment falls by 10%. Then, traders take turns to follow the rule, so that a relatively small decline will not become a painful loss in the future.

Novices should consider setting aside a certain amount of trading funds and then using only part of them, at least at the beginning. If a position moves against them, they will still have capital reserves for future trading. The final view is that if you don't have any money, you can't trade. Therefore, keeping some capital reserves means that you will always have a bank fund to fund your transactions.

Managing risk is important, but it comes at an emotional cost. Selling a losing position is painful, but doing so can help you avoid more serious losses in the future.



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## 5. Don't Invest More Than You Can Afford

Finally, it is important to avoid putting the money you need into speculative assets. If you can't afford to lose — all the losses — you can't invest it in risky assets such as cryptocurrency, or other market-based assets such as stocks or ETFs because of this problem.

Whether it's a down payment on a house or an upcoming important purchase, the money you need in the next few years should be kept in a secure account so that it's there when you need it. If you are looking for an absolutely certain return, your best choice is to repay the debt. You can guarantee to earn (or save) any interest you pay on your debt. You won't lose in this respect.

Finally, don't ignore the security of any exchange or broker you use. You may legally own these assets, but someone must still protect them, and their security needs to be strict. If they think their cryptocurrency is not properly protected, some traders choose to invest in a cryptocurrency wallet to hold their coins offline so that they cannot be accessed by hackers or others.

## Other Ways of Investing Cryptos

Although direct investment in cryptocurrency may be the most popular way, there are other ways for traders to enter the cryptocurrency game, some of which are more direct than others. These methods include.

- Cryptocurrency futures. Futures is another way to bet on Bitcoin price fluctuations. Futures allow you to use the power of leverage to generate huge returns (or losses). Futures is a rapidly changing market, exacerbating the already volatile trend of cryptocurrency.
- Cryptocurrency fund. Some cryptocurrency funds (such as grayscale Bitcoin trust) also exist, allowing you to bet on the price fluctuations of Bitcoin, Ethereum and other alternative currencies. Therefore, they can become a simple way to buy cryptocurrency through products similar to funds.
- Cryptocurrency exchange or stock broker. Buying shares in a company ready to profit from the rise of cryptocurrencies, whoever wins, can be an interesting choice. This is the potential of exchanges such as coinbase or brokers such as Robin Hood, who earn huge income from cryptocurrency trading.
- Blockchain ETFs. Blockchain ETF allows you to invest in companies that may benefit from the emergence of blockchain technology. The top blockchain ETF gives you access to some key listed companies in this field. However, it should be noted that the businesses of these companies are often much more than those related to cryptocurrency, which means that your risk of cryptocurrency has been diluted and your potential room for rise and fall has been reduced.

Each of these methods has different risks and risks to cryptocurrency, so you need to know exactly what you buy and whether it suits your needs.

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## Cryptocurrency Investing FAQs

### How Much Do I Need to Start Investing in Cryptocurrency?

In theory, you can invest in cryptocurrency for only a few dollars. For example, the minimum trading volume of most cryptocurrency exchanges may be \$5 or \$10. Other cryptocurrency trading applications may have a lower minimum.

However, it is important to understand that if you trade a small amount of cryptocurrency, some trading platforms will draw a large chunk of your investment as a fee. Therefore, it is important to find a broker or exchange that can minimize your expenses. In fact, many so-called “free” brokers embed a fee in the price you pay for your cryptocurrency - called a spread mark up.



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### How Does Blockchain Work?

Cryptocurrency is based on blockchain technology. A blockchain is a database that records and timestamps each entry. The best way to think about blockchain is to run like a transaction receipt.

When the blockchain database provides power for cryptocurrency, it records and verifies currency transactions, verifies the flow of currency and who owns it.

Many cryptocurrency blockchain databases run on a decentralized computer network. That is, many redundant computers operate databases, checking and rechecking transactions to ensure that they are accurate. If there is a difference, the networked computer must solve it.

## The Way to Mine Cryptocurrency

Some cryptocurrencies reward those who verify transactions on the blockchain database. This process is called mining. For example, these miners involved in Bitcoin solve very complex mathematical problems as part of the verification process. If they succeed, miners will receive a predetermined Bitcoin reward.

In order to mine Bitcoin, miners need powerful processing units and consume a lot of energy. Many miners run huge rooms filled with such mining machines to extract these rewards. By the beginning of 2022, the energy consumption of running Bitcoin system is equivalent to that of a medium-sized country.



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## How Can I Invest in Bitcoin?

If you want to invest in Bitcoin, you have many ways. You can cooperate with some companies, including.

- Crypto exchange. Trade some of the most extensive cryptocurrency options, and they tend to be the most competitive in price. Top players include coinbase, Kraken and binance, but there are dozens of others.
- Traditional brokers. In addition to stocks and other financial assets, many traditional brokers also allow you to trade Bitcoin, although their options for other cryptocurrencies are relatively limited. Leaders in this area include interactive brokers, TradeStation and tastyworks.
- Financial applications: many financial applications now allow you to trade Bitcoin and some

other cryptocurrencies. Top players here include Robinhood and Webull, as well as payment applications such as PayPal, venmo and cash app.

If you want to buy Bitcoin, pay special attention to the fees you have to pay. Here are other key things you need to pay attention to when buying Bitcoin.

## What is Altcoins?

Altcoin is an alternative to Bitcoin. Many years ago, traders used this word to belittle themselves. Since Bitcoin is the largest and most popular cryptocurrency, everything else is defined as related to it. Therefore, everything that does not belong to Bitcoin is classified into a belittled category called alternative currency.

Although Bitcoin is still the largest cryptocurrency by market value, it is no longer as dominant as cryptocurrency in its early days. Other alternative currencies, such as Ethereum and Solana, have become increasingly popular, making the term alternative currency somewhat outdated. Now, it is said that there are 15000 or more cryptocurrencies. Defining this industry as “Bitcoin, then everything else” is more meaningless than ever before.



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## Conclusion

Cryptocurrency is a highly speculative market area, and many smart investors have decided to put their money elsewhere. However, for beginners who want to start trading cryptocurrencies, the best advice is to start small and use only the money you can afford.

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