How Much Caution is Necessary in Business? 3 Lessons From the Crypto Craze.



People are investing their hard-earned cash in Bitcoin, Ethereum and Other Cryptocurrencies. Should they?

February 19, 2018 5 min read

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In December 2017, the price of one bitcoin soared to a mind-blowing $19,738, breaking records. What a great way to transition into 2018! At least that's what investors thought — until bitcoin took a heart-shattering dive this month, to $7,178 for one bitcoin.

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Since Bitcoin’s creation, the values of the various 1,300-plus cryptocurrencies have been going up and down like a yo-yo. But their volatility hasn’t stopped people from investing in them. In fact, even more people are joining the pack.

Still, most investors remain skeptical of cryptocurrencies like Bitcoin or Ethereum, and will give you a thousand and one reasons why you should not buy Bitcoin, usually focusing on the currencies’ volatile nature, making them an unsustainable investment.

Heavy investors in cryptos, meanwhile, beg to differ on the grounds of these currencies’ transparent transactions, ease and anonymity. For instance, the use of smart contracts guarantees that all transactions are properly documented, and ensures transparency among the parties involved.

Alexander Borodich, a venture investor and CEO of Universa, told *Forbes*, for instance, that “[Blockchain] technology can be integrated to business processes today, not even in the near future. And smart contracts can be created for literally any task: from smart homes and property insurance, to payment cards and logistics.”

The ups and downs in Bitcoin prices, the fear of losing your life’s savings to an unanticipated crash and the conflicting views out there on the benefits of actually investing in cryptocurrenciess may leave you feeling lost as to whether to try your hand at these ventures.

As happens with every business decision, an entrepreneur is pushed to look uncertainty straight in the eye and give it a punch. Certainly, some will end will up lucky and take home flourishing businesses, while others will lick their wounds and deal with burdensome losses. But, whatever be the outcome, risk-taking is part of the game.

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Still, even with the expected risks, you should be cautious. The question, however, is how much? There’s a lot to learn about risk-taking, and it can’t be learned in just one sitting.

Here’s where cryptocurrencies come in. The hype around them includes tales that reinforce the need to be cautious yet also celebrate those brave enough to give these currencies a go. Hidden in these stories are three valuable lessons about how to know whether you’re being as cautious as you should be in business.

1. Clearly set out what you will be comfortable losing.

If you’re ready to take the risk, how comfortable are you losing when things come crashing down?

Grant Sabatier of the company Millennial Money started his journey with Bitcoin when one coin was worth just $72. After doing some research, he told CNN, he decided to invest 1 percent of his net worth ($5,000 at the time) into the currency. He was just trying the waters, but he knew that taking the risk to invest in something so “unstable” wouldn’t hurt him too much if things turned out badly.

The message: There’s nothing wrong with trying something new, but go only as deep as you feel comfortable going. Sabatier’s first investment paid off, giving over $1 million in 2017.

2. Think long range.

Olaf-Carlson Wee became a millionaire when he realized the potential of cryptocurrencies and decided to make a daring switch: He chose to be paid in Bitcoin. At that time, he was 26, and bitcoin was valued at $20 to $30.

When you study the bitcoin success stories of early adopters, you notice how they had something in common: They were long range in their thinking. Although Bitcoin was really just an idea, these people invested the time and effort to understand this new phenomenon. After their research, they realized the currency's potential.

The message: It's risky to put your money into something you don't know will pass the test of time. However, carefully weighing an investment's potential against our dynamic world will tell you that taking this step, though risky, is worthwhile.

3. Don't go all in.

No matter how good something sounds, give yourself time to take a breather and observe. The worst mistake you can make as an entrepreneur is to dive into what's trending without taking time to assess it objectively.

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When Bitcoin hit its all-time high in 2017, people believed that investing there was the fastest and surest way to make money. With that zeal and misguided confidence, families were left penniless, having invested all they had in anticipation of multiplier profits. Little did they know that the only multiples they were going to receive were losses.

The message: Obviously, don't let this happen to you.

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