Bitcoin will become a key element of the modern portfolio

Portfolio diversification has long been a hot talking point among investors and advisors. With the arrival of digital assets, in particular Bitcoin, traditional diversification strategies have been challenged once again. Should Bitcoin be considered a necessary, key component of your or your client's portfolio? This question has sparked wide, complex debate.

Problems with FIAT

The pandemic and the resulting economic crash forced many governments around the world to print more currency to get out of trouble. The USA for instance printed 20% more dollars than were already in circulation. This has resulted in inflation and the dollar becoming weaker. Investors have always looked at ways to counteract the effects of printing money and Bitcoin offers exactly that, functioning as **a payment method, an investment, and a hedge against inflation.**

Bitcoins gains wider acceptance

Bitcoin recently went past the 1 trillion dollar market cap milestone. Any asset of that size has to be taken seriously, and that's what we're seeing. **Public figures** like Paul Tudor Jones, Larry Fink, Scott Minerd and Stan Druckenmiller have also shared positive views on the cryptocurrency. On top of that, companies like Tesla, Square, MassMutual and Microstrategy have already **poured enormous amounts of money into the digital asset**.

Tesla's $ 1.5 billion investment may well prove to be Bitcoin's most significant PR turning point. But apart from large companies buying the currency, retail investors have started putting money into the asset **via ETFs**. Last August, Fidelity launched its first Bitcoin fund. Grayscale recently launched an ETF with Bitcoin exposure that currently boasts 500 million dollars worth of assets under management. And the Purpose Bitcoin ETF in Canada has already passed a billion dollars in AUM just one month after its launch.

Generational wealth transfer

Data also shows that the younger generations are quickly adapting to digital assets while older generations tend to prefer traditional investments. 60% of Bitflyer's account holders in Europe and the US are between 20 and 40 years old. With **60 trillion dollars set to change hands** from one generation to the next over the coming years, it's inevitable a major portion of that money will **funnel into digital assets**.

Advisors will need to embrace Bitcoin and adjust their advisory accordingly. Millennials will increasingly look for advice on how to add Bitcoin to their portfolio and not whether it's a good decision. They will want a share of the pie and if they can’t talk about it with their advisor, they’ll likely look to others with whom they can.