

Stock vs Cryptocurrency for Your Pension Investment

The stock market is well-known and commonly included in most pension investment strategies. This is because it tends to be a reliable long-term investment and a solid way to outpace inflation. However, a newer option has emerged in the form of cryptocurrency. The crypto market has historically offered higher potential gains than the stock market. However, it is also far more volatile and operates in a less regulated environment.

Stocks



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A stock (or equity) is a security representing ownership of a percentage of the issuing company. For example, owning Apple (AAPL) or NVIDIA (NVDA) stock means you own a percentage of those companies. Shares are bits of stock that grant a person

the same percentage of the corporation's assets and profit as the number of shares in their possession.

Stocks are bought and sold primarily through stock exchanges, forming the core of most individual investors' portfolios. Stock trades must adhere to government guidelines to guard investors against fraud. A stock's long-term appreciation depends on its parent company's performance; for a stock to work as a profitable investment, the company itself should perform well over time.

Cryptocurrency

Cryptocurrencies are any kind of digital currency that uses blockchain to conduct transactions. They don't require banks to validate the transactions; a distributed system registers them and issues new coins.

The [first cryptocurrency was Bitcoin](#), created in 2009 and still the most valuable today. Most interest in cryptocurrencies is the profit trade, and speculators sometimes send prices upward. The available cryptocurrencies are distinct from conventional currencies because of their lower fees and anonymity. They've gradually become a part of the world economy, and most governments have become open to seeing what they can do and are now thinking about controlling them through legal regulation and governmental policies.



How Cryptocurrencies Compare to Stocks

Hedge Against Fiat Currency

Both investment types offer [a way to beat inflation](#). They're not owned by central banks or governments that need to print money and inflate fiat currencies. Cryptocurrencies tend to be even less correlated with fiat currencies, with some investors terming it "digital gold."

Potential for massive profits

Cryptocurrencies are well known for their potential for massive gains. Many cryptocurrencies have gone to extremely high prices since their inception.

The long track record of returns from stocks is also very good, with the S&P 500 stock index beating expectations for decades at around 10%. Though stocks can produce gains that will outpace inflation, profits from cryptocurrencies are usually more.

Volatility

Cryptocurrencies are among the most volatile assets due to their relatively short existence. They're also unbacked, so the price they're sold at is mostly due to sentiment. Stocks are less volatile than cryptocurrencies and generally more predictable.

Regulatory risks

Most governments are sceptical about crypto adoption. However, there are certain regulations in place in the UK.

Stocks, meanwhile, are tightly monitored by the government. Corporations are required to report some information to investors via the Securities and Exchange Commission. Stocks have been around for quite some time, and some vital investor protections are in place.

Intrinsic Value

A stock's value over time is tied to the success and profitability of the underlying business. Companies own tangible and intangible assets, such as factories, which generate earnings and cash flow for their shareholders. This combination of assets and earnings creates what is known as intrinsic value, which provides investors with a clear basis for valuation. In contrast, most cryptocurrencies lack intrinsic value as they are not tied to a business.

Financial value is driven primarily by market sentiment or how people perceive their worth at a given moment. This means that factors like hype, speculation, or even social trends can cause dramatic price swings and are often unrelated to any measurable or intrinsic foundation. The importance of market sentiment can also be seen in the prices of common items. For example, the recent hike in coffee prices is due to concerns over supply disruptions in leading producers such as Brazil and Vietnam, even before actual shortages materialized.

Dividends

Stocks often provide investors with an additional income stream through dividends, which can make them particularly attractive. Cryptocurrencies, on the other hand, do not traditionally pay dividends.

Time Horizon

Both stocks and cryptocurrencies are recommended for investors who want to leave their money for long. The longer your time horizon, the better you can ride the market out and profit from compounding in the long run.

In the case of stocks, volatility is directly impacted by what type of securities you're buying. [Growth stocks](#), for instance, suffer from bigger price fluctuations than value or dividend stocks, which are relatively more predictable. Investors will potentially replace risky, aggressive growth stocks with safe, income-producing ones as they age or have to access capital in retirement.

Likewise, cryptocurrency has different volatility and liquidity. Some coins, such as Bitcoin, are more liquid and standardised than smaller, less established cryptocurrencies. When investors reach retirement age, they could move their crypto assets to a more liquid asset like Bitcoin.

How To Invest Your Pension Funds in Either Stock or Crypto

The UK offers three main pensions: state, workplace, and personal. The government provides the state pension; your age and national insurance contributions determine eligibility. Employers arrange workplace pensions and include two main types: defined benefit plans, which guarantee a specific income in retirement, and defined contribution plans, where contributions are invested, and the final value depends on investment performance. A common example of a defined contribution pension is the Small Self-Administered Scheme

(SSAS).

On the other hand, personal pensions are privately managed by individuals and include options like stakeholder and self-invested personal pensions (SIPPs), offering greater control over investment choices.

Most registered pension schemes invest in various assets, including listed and unlisted shares in the UK or abroad. These investments can be made directly or through pooled vehicles like unit trusts or insurance products. However, only SIPPs and SSAS pensions typically allow direct investment in individual shares. Regarding cryptocurrencies, [SSAS pensions](#) are currently the only pension scheme in the UK allowing direct crypto investments.

Choosing Between Stocks and Cryptocurrencies for Your Pension

Choosing stocks or cryptos for your pension will ultimately depend on your financial objectives, risk appetite, and investment strategy. Stocks have a proven history of steady returns with intrinsic value, dividends, and more control, whereas cryptocurrencies are risky but have higher potential returns. While not a suitable mainstream pension asset, they can act as a speculative complement for investors or a hedge during inflation or currency appreciation.