## Risks Involving in Cryptocurrency Investment

Among the hot topics that make headlines often are cryptocurrency and blockchain technology. While some are eager to invest their money in cryptocurrency, there are some people who would avoid investing in relatively new form of financial assets due to its extreme volatility or simply the level of risks it involves.

One must be aware, before putting money in this risky asset, about the common risks which are involved in investing in cryptocurrency.

In this article, you are going to have a quick overview about the most common threats exists in virtual currency`s investment so that you must know that you can bear risk of putting your money in this new asset`s basket.

**Instability:** first and the most considerable crypto risk is instability. No proper regulation and absence of governing authority or central bank are the main reasons which aid in the instability of digital currency. Some of the other reasons for crypto's volatility are:

* **Restricted supply.** The low supply of crypto currency gives it a scarcity value, such as if one looks behind at the coding of Bitcoin, would come to know that there are only 21 million bitcoins are present in the market. The limited supply forces the prices of cryptocurrencies to go up.
* **Investors` perception regarding future.**To make prices of cryptocurrencies go up and down is somehow decided by what investors think of virtual currency`s future performance.
* **Daily fluctuations.** Prices of digital currencies shift on daily due to new announcements or news. For example, if one company denies accepting Bitcoin like Tesla, prices go down and vice versa.

There is no way to escape instability. Still, investors can protect against the shifts in value by investing in secure coins and thus diversify their portfolios and be informed about [cryptocurrency news](https://moneymorning.com/tag/cryptocurrencies) on daily basis.

**Lack of Regulation**: As cryptocurrencies are still relatively new and are not being regulated by governments in the same way other commodities, like pound or gold, are being regulated. Therefore, if a cryptocurrency fails there would be no financial backing which means investors would loss everything in this scenario.

Furthermore, governing body cannot regulate against exchanges that may pamper questionable activities like manipulation of market.

**Loss of the Private Key**: To access cryptocurrencies owners are required a public and private key to open their digital wallets. Such keys contain letters and numbers which are related to their email address linked with cryptocurrency. In case when owners or users forget their private key, it's lost or compromised, resulting user being locked out, often permanently. Like other regular passwords, users cannot retrieve their passwords of private keys. The consequence of a lost key may imply failing your cryptocurrencies entirely. Such a case happened with Stefan Thomas, San Francisco based programmer, when he lost his $220 million for getting access to his 7002 bitcoins.

Nevertheless, there are security services that save your private key and professional [crypto trackers](https://www.wsj.com/articles/a-fifth-of-all-bitcoin-is-missing-these-crypto-hunters-can-help-1530798731) for rent that help out with cryptocurrency rescue.

**Hacking**: As crypto grows to be more ordinary, so does crypto hacking. In first quarter of 2021, cybercriminals robbed  [above $100 million](https://atlasvpn.com/blog/blockchain-hackers-netted-over-100-million-in-q1-2021). Because of the holding of huge amount of crypto, exchanges are common targets. However, digital blockchain wallets are susceptible as well.

No one can guarantee total security of highly secure technology behind cryptocurrencies-Blockchain. Hackers take benefit of weaknesses on exchange platforms. Hackers also gain access on individual investors` private keys through malware or phishing.

**Market Manipulation:** Some professionals think there are indications people are influencing the value of digital currency to make it seem as if demand is higher than supply as they want it to appear like crypto has grown in value.

Several ways can manipulate markets, such as:

* **Pump and Dump Alliances.** Pump and dump policies are where fraudsters falsely raise the stock price as a result of false statements or distortions to buyers to trade at an inflated cost, then halt purchasing.
* **Forged News.** Forged news is a deliberate effort to propagate misinformation, misguided news in columns or editorials in social media.
* **Spoofing.** Criminals make fake contracts to affect prices.

**Ambiguous Future:** Lastly, there is the risk of an uncertain future to think about. Top concerns involved changes in regulation and environment.

Even though many demand for better regulation, it is vague what this could represent for cryptocurrencies if further regulations are passed. It may trigger prices to improve or decline in value.

The environmental effect is a different issue bordering the segment. Virtual currencies consume large amounts of remnant fuels, and there is an urgency to lessen their manufacture owing to climate change.

Investors may not be capable of avoiding all the intrinsic cryptocurrency threats, one can use knowledge of market insights to curb risks exposure. Moreover, actions like strengthening security or saving private key with an expert service can reduce investment risks of cryptocurrency.