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Different Crypto Investment Time Horizons

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<https://www.btcc.com/en-US/academy/research-analysis/crypto-investment-whats-a-long-term-time-horizon-for-crypto>

Crypto investment is different from other investments. It's still becoming clear who's in it for the long haul, who sees it as a cash grab, and who's investing due to FOMO.

Most investors have an idea of how long they plan to hold something before buying or selling any type of asset.

Whether it's a target date fund or simply a medium-term investment vehicle started for, say, a down payment on a home, there's been enough precedent for the majority of asset classes that retail investors can normally plan how long their cash will be tied up.

Crypto, however, is different. With just a little more than a decade of data - and that's for bitcoin, not the 16,000+ altcoins in circulation - it's still becoming clear who's in it for the long haul, who sees it as a cash grab, and who's investing strictly for the fear of missing out (FOMO).

Regardless, it's important to have a sound investment thesis explaining the "why" behind your crypto investments. That helps you determine how long to hold and discern whether you're a trader or more of a subscriber to the "HODL" philosophy - meaning "hold on for dear life" and describing a long-term approach to crypto investing.

It turns out, the answer to that question depends on what crypto appeals to you. "The crypto and blockchain space is still in its early stage," said Armando Aguilar, an independent crypto analyst and former digital asset strategist at Fundstrat Global Advisors. "Holding periods depend on the investors."

Strategies Vary from Investors

Crypto diehards and purists who believe blockchain and digital currencies are the future are probably planning to hold their crypto for many years to come. These investors should choose to buy tokens representing high-quality applications, protocols and ecosystems with strong communities backing them, according to Aguilar. All the signals for liquidity should be there, looking at market cap and trading volume. Plus, the asset should have evidence that signals high implementation and adoption, along with the ability to withstand volatility.

Meanwhile, speculators and short-term traders may hold crypto for more sporadic periods of time. "Holding periods can vary from hours, to days, to less than a few months," Aguilar said. "Long term can be seen as anywhere between five and 10 years, if we are to compare it to the internet adoption curve over time."



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Short, Medium and Long Term

Short-term strategies parallel those of the stock market and include day trading, arbitrage and other moves meant to facilitate quick reselling and profits. Using popular crypto exchanges, such as Binance, [BTCC](#), Coinbase, Kraken and others, investors can buy, sell and trade as many times as they want from day to day.

However, a strategy of six to 24 months requires that investors consider factors such as planned network upgrades, partnerships, roadmaps and project developments that could potentially materialize and as a result see positive price momentum. "These strategies are based on short to medium-term analyses where adoption, integration and business scalability have a major role in the investment analysis for investors," Aguilar said.

Finally, strategies that take three or more years to enact are often performed by people who stay abreast of crypto news, or even have a foot within the industry. This may include venture capitalists, family offices, and other long-term investors who have access to early stage deals at lower valuations, but are locked in their investments for longer periods of time, according to Aguilar.

While an investor is “HODLing,” they may also make other decentralized finance (DeFi) moves, such as lending and staking, which may allow them to earn interest on their crypto. In these scenarios, they may allow their crypto to be locked up in the ecosystem and used to validate transactions, in exchange for passive income via interest. In addition, there’s always the possibility that their crypto assets will appreciate in value, leading to a longer-term gain.

Choose Your Way

Determine your “why” behind your crypto investment thesis, and you may get a conclusion about time horizon. Many investors agree that blockchain technology could be a viable long-term investment, but there are dozens of ways to invest in it that appeal to a broad spectrum of investors (from passive to more aggressive).

“Blockchain technology is what powers cryptocurrencies,” said Washington, D.C.-based certified financial planner Marguerita Cheng. “One way of benefiting from cryptocurrency without taking on as much risk is to invest in the underlying technology, digital payments or fintech. That’s a way in which you don’t have to deal with FOMO. Maybe you’re not going to get as much upside, but you’re still going to benefit from that exposure.”