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I would like to share with you my recent article on investing in cryptocurrency, blockchain and the digital economy published by The Globe and Mail.

Over the past year I have witnessed unprecedented interest from my valued clients in cryptocurrency. There is so much excitement and disruption in the space, investors want to be part of the hype. It has also been heartbreaking to see innocent people being taken advantage of by various crypto fraud and scams. It is paramount that you discuss these speculative investment opportunities with your trusted wealth advisor to ensure you are educated and aware of the risks associated before proceeding. Buyer beware!.

Three considerations before getting into cryptocurrency investments

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Advisors are required to evaluate speculative and disruptive investments on behalf of their clients. They need to take the time to educate themselves and understand the underlying investments rather than dismissing an idea outright.

More clients have probably been asking their advisors about the merits of investing in cryptocurrency as bitcoin continues to hit all-time highs and new futures-based exchange-traded funds (ETFs) have launched on the New York Stock Exchange (NYSE).

Most advisors have often advised their clients against investing in these digital assets because there are no obvious catalysts for cryptocurrency and no discernable pattern for how it trades, making it a very speculative and volatile investment. Furthermore, cryptocurrency is still quite misunderstood and remains largely unregulated, which makes it more prone to scandals, fraud, hacking, and black market activity.

That said, with the rollout of bitcoin futures-based ETFs, it's evident that cryptocurrency investments are here to stay – and advisors need to be armed with advice on how to best invest in this sector.

Trusted advisors focus on what they can control, and that's to ensure clients are educated on the risks and implications associated with investing in cryptocurrency. If they're interested in proceeding, it is important to agree on a clearly laid out plan.

Here are three considerations before getting your clients invested in cryptocurrencies:

Know your investment

Make sure your clients understand their investments fully. Warren Buffett's oft-cited quote, "Never invest in a business you cannot understand," is particularly relevant when helping clients navigate the cryptocurrency space.

Many investors hear the term "cryptocurrency" and want to be a part of the hype, but they often don't understand the underlying investment. There are several investment types in the digital space that tend to get lumped together.

There are different forms of cryptocurrencies that investors can choose from, with bitcoin being the most popular. Then, there are various blockchain companies that allow investors to store and transfer cryptocurrencies in a digital wallet. And non-fungible tokens – digital assets such as photos, videos, or artwork – have been rising in popularity as an investment option recently.

Focus on the time horizon

As cryptocurrency is prone to high trading volatility, make sure you and your clients agree on a time horizon for the investment before taking the plunge. For example, will there be an agreement to buy and hold for a set period? Will there be an agreement to sell at a certain price?

Cryptocurrency is too speculative and volatile an investment for day trading, which is why agreeing on a time horizon before investing is paramount.

Mitigate the risks

Make sure you assess the investment options to mitigate risk. Take gold investors, for example. Some will invest directly in individual mining companies such as producers, exploration, or royalty companies to gain exposure to gold. Others may choose a different path for gold exposure, such as investing in a gold ETF representing a basket of companies, or one that tracks the spot price of gold.

ETFs enable investors to manage risk better and can be a good way to gain exposure to an industry before selecting a specific investment.

Similar logic can apply to the cryptocurrency space. An investment in cryptocurrency doesn't necessarily have to mean putting all your eggs in one basket and investing in one particular digital currency.

In addition to the recently launched bitcoin futures-based ETFs on the NYSE, the Toronto Stock Exchange offers several ETFs that track bitcoin and cryptocurrencies.

ETFs represent a great option for beginner cryptocurrency investors to gain exposure to the industry and manage the associated risks effectively before selecting a particular investment.

Does cryptocurrency have more upside potential than risks? Will it see more widespread adoption? It's possible, especially after watching its meteoric rise during the past 10 years.

However, given that hackers have stolen billions off various cryptocurrency exchanges, and the fact that trading on these venues is anonymous, cryptocurrency fulfills a perfect need in the black market for funding illegal activities by drug cartels, kidnappers, and more. That may lead to more regulatory oversight in cryptocurrency and a resulting price correction.