

# Cryptocurrency as an Asset Class

*A Plain-Language Guide for Investors*

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*“Bitcoin is a remarkable cryptographic achievement, and the ability to create something that is not duplicable in the digital world has enormous value.” — Eric Schmidt, former CEO of Google*

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## 1. Introduction

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Money has changed many times through history — from barter to gold coins, from paper currency to bank deposits, and most recently to the digital payments many of us tap on our phones every day. Cryptocurrency is the newest chapter in that long story. In barely fifteen years it has grown from an obscure internet experiment into a global market that, at its peak in late 2025, was worth several trillion US dollars and is followed by governments, banks, and ordinary savers alike.

This article explains, in simple everyday language, what cryptocurrency is, how it works, which of the thousands of coins matter most, where it stands legally around the world and especially in India, and — most importantly for a saver — whether it deserves a place in an investment portfolio. It looks honestly at the advantages and the dangers, and asks whether crypto suits people of different ages and different appetites for risk, including the retiree. The aim is not to promote crypto or to dismiss it, but to give you a balanced, factual foundation so that you can make your own informed decision.

## 2. What Is a Cryptocurrency?

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A cryptocurrency is a form of digital money that exists only as computer records. Unlike the rupee or the dollar, it is not printed by any government and, in most cases, is not controlled by any central bank or single company. Instead, it lives on a shared, public record called a blockchain, which is maintained simultaneously by thousands of computers spread across the world.

Think of the blockchain as a giant shared notebook. Every time someone sends crypto to someone else, the transaction is written into a new “page” (a block) and added to all the earlier pages (the chain). Because thousands of copies of this notebook exist and they constantly check each other, no single person can secretly rewrite the records. This is what allows strangers anywhere in the world to send value to one another without needing a bank in the middle.

### Key features in plain words

- **Decentralised:** No single authority such as the RBI or a bank runs it. The network is run collectively by its users.
- **Digital only:** There are no physical notes or coins. You hold it in a software “wallet” protected by secret keys (long passwords).
- **Secured by cryptography:** Advanced mathematics (the “crypto” in cryptocurrency) keeps transactions secure and nearly impossible to forge.
- **Limited or rule-based supply:** Many cryptos have a fixed maximum supply written into their software. Bitcoin, for example, will never exceed 21 million coins.
- **Borderless and 24/7:** It works every day of the year, across borders, without banking hours.

A short history helps. Bitcoin, the first cryptocurrency, was launched in 2009 by an anonymous person or group using the name Satoshi Nakamoto, shortly after the 2008 global financial crisis shook public

trust in banks. The idea was money that did not depend on any government or bank. Since then thousands of other cryptocurrencies have appeared, and the underlying blockchain technology has found uses far beyond money.

### 3. A Few of the Important Cryptocurrencies

There are now tens of thousands of cryptocurrencies, but a small handful account for most of the value and attention. Here are the ones a newcomer should know.

| Coin   | What it is, in plain words   | Notable point   |
|--|--|---|
| <b>Bitcoin (BTC)</b>                         | The original and largest cryptocurrency. Often called “digital gold” because its supply is capped at 21 million coins and many people hold it as a long-term store of value. | Largest by market value; all-time high around \$126,000 in Oct 2025.    |
| <b>Ethereum (ETH)</b>                        | More than money — a programmable platform. It lets developers build “smart contracts” and apps (finance, games, digital art) that run automatically without a middleman.     | Second largest; backbone of most decentralised finance (DeFi) and NFTs. |
| <b>Stablecoins (USDT, USDC)</b>              | Coins designed to always be worth about one US dollar. They are backed by reserves and used to move money and to park funds without leaving the crypto world.                | Used heavily for trading and payments; value is meant to stay steady.   |
| <b>BNB, Solana, XRP and others</b>           | A wide range of “altcoins.” Some power particular exchanges or fast payment networks; others are highly experimental. Quality and risk vary enormously.                      | Higher potential gains but also higher risk of collapse.                |
| <b>Meme coins (e.g. Dogecoin, Shiba Inu)</b> | Coins created largely as jokes or driven by online hype, with little underlying purpose. Prices swing wildly on social-media sentiment.                                      | Highly speculative; treat with extreme caution.                         |

**A word of caution:** the fact that a coin exists says nothing about its safety. Many thousands of coins have already failed or turned out to be scams. The further you go down the list from Bitcoin and Ethereum, the more carefully you must tread.

### 4. Why Crypto Prices Move So Much

Unlike a company share, a cryptocurrency usually pays no dividend and has no profits or factory behind it. Its price is driven almost entirely by what the next buyer is willing to pay. That makes prices extremely volatile — they can rise or fall by double-digit percentages in a single day.

To put the swings in perspective: Bitcoin reached an all-time high of about \$126,000 in October 2025, yet by June 2026 it was trading in the region of \$63,000–\$74,000 — a large drop in a matter of months. Ethereum similarly fell from a 2025 peak near \$4,950 to roughly \$1,700–\$2,000 by mid-2026. Such moves are normal for this asset class and would be considered a crisis in the stock or bond market.

Prices are pushed around by supply and demand, by news and regulation, by interest-rate decisions of major central banks, by large holders (nicknamed “whales”), and by waves of social-media enthusiasm or fear. Because the market is open all day every day and is still relatively young, emotions tend to amplify the moves.

## 5. Legality Across the Globe

There is no single global rule for cryptocurrency. Each country decides for itself, and the approaches range from full embrace to outright ban. As a rough picture in 2026, roughly 119 countries permit owning and trading crypto in some form, around 20 impose partial restrictions, and about 10 ban it outright.

| Region / Country      | Approach in 2026   |
|-----------------------|--|
| <b>United States</b>  | Legal but heavily regulated. Bitcoin is treated as property for tax, as a commodity by the CFTC, and as a digital asset under SEC oversight in some cases. Spot Bitcoin and Ethereum exchange-traded funds (ETFs) are available to ordinary investors. |
| <b>European Union</b> | The most comprehensive framework in the world — the Markets in Crypto-Assets (MiCA) regulation — sets common rules on licensing, consumer protection and anti-money-laundering across all 27 member states.  |
| <b>El Salvador</b>    | Made Bitcoin legal tender in 2021, but rolled back the mandate in 2025. Acceptance is now voluntary and it is no longer used for tax payments.   |
| <b>China</b>          | Maintains a strict ban on crypto trading and mining, and has extended restrictions to stablecoins. (Yet it still hosts a large share of global Bitcoin mining underground.)  |
| <b>Other bans</b>     | Countries with a total ban include Algeria, Bangladesh, Bolivia, Egypt, Morocco, Nepal, Tunisia and North Macedonia.   |
| <b>India</b>          | Legal to own and trade, but not legal tender and heavily taxed. See the dedicated section below.   |

**Important distinction:** “legal to own and trade” is not the same as “legal tender.” In almost every country, including India, no shop is obliged to accept crypto as payment, and most do not. Owning crypto as an investment is one thing; being able to spend it like cash is quite another.

## 6. Cryptocurrency in India

India’s position can be summed up in one line: you are allowed to buy, hold and sell crypto, but the government taxes it heavily and the Reserve Bank of India (RBI) remains deeply uncomfortable with it. Crypto is not banned, but it is also not encouraged.

## How India taxes crypto (current rules, 2026)

- **Flat 30% tax on gains.** Any profit from selling, swapping or spending crypto (officially called a Virtual Digital Asset, or VDA) is taxed at a flat 30%, plus a 4% cess. This applies under Section 115BBH, regardless of how long you held it or your income tax slab.
- **1% TDS on transactions.** A 1% tax is deducted at source (TDS) under Section 194S on transfers above ₹50,000 in a year (₹10,000 for certain persons). This is an advance tax you can adjust later, but it ties up cash and creates a paper trail.
- **No deductions, no loss set-off.** You cannot deduct expenses (other than the cost of buying), you cannot set crypto losses against any other income, and you cannot carry losses forward to future years. Each profitable trade is taxed even if your overall portfolio is in loss.
- **Full disclosure required.** Crypto holdings and gains must be reported in your income tax return. The rules were retained unchanged in the 2026–27 Budget, with the focus on stronger reporting and compliance.

In short, India has chosen to make crypto trading legal but financially painful. The heavy, no-set-off tax structure is widely seen as a deliberate signal that the authorities want to discourage speculation.

## 7. What Is RBI's Take?

The Reserve Bank of India has been one of the world's most consistent crypto sceptics. Its position has stayed firm over the years and can be summarised as follows.

- **A threat to stability and sovereignty.** The RBI views private cryptocurrencies as a risk to monetary and financial stability and to the central bank's control over the nation's money. Senior officials have at times suggested they could even pose risks to financial sovereignty.
- **Not legal tender.** Under the RBI Act, cryptocurrencies are not legal tender. No one is obliged to accept them, and they carry no sovereign guarantee.
- **Repeated warnings.** The RBI regularly cautions the public about extreme volatility, the risk of total loss, fraud, money-laundering and the lack of any recourse if something goes wrong.
- **The 2018 banking ban and its reversal.** In 2018 the RBI barred banks from dealing with crypto firms. The Supreme Court struck this down in 2020 on legal grounds, which is why exchanges operate today — but the RBI's underlying scepticism never changed.
- **Its preferred alternative — the Digital Rupee.** Rather than private crypto, the RBI is promoting its own Central Bank Digital Currency (CBDC), the e-Rupee (₹), launched as a pilot in December 2022. This is a sovereign digital currency backed by the RBI — the opposite of a decentralised cryptocurrency. India is also proposing to link the digital currencies of BRICS nations.

The practical takeaway for an Indian investor: the country's central bank does not want you in crypto, the tax system penalises it, but the law currently permits you to participate at your own risk. You should not expect any official protection or compensation if a coin collapses or an exchange fails.

## 8. Speculation or a Sound Long-Term Investment?

This is the question every saver really wants answered, and the honest reply is: it depends on which crypto, how much, and for how long — but for most people it sits much closer to speculation than to a traditional long-term investment. Let us look at both sides fairly.

### The case that it is mainly speculation

- Most cryptocurrencies produce no income — no dividend, no interest, no rent. The only way to profit is for someone else to pay more later.
- Prices are wildly volatile, frequently falling 50% or more from their peaks, as both Bitcoin and Ethereum did between 2025 and 2026.
- Valuation is largely based on sentiment and narrative rather than measurable fundamentals such as earnings or cash flow.
- The vast majority of the thousands of coins in existence are likely to end up worthless.

### The case that it can be a long-term holding

- The largest coins, especially Bitcoin, have survived multiple crashes since 2009 and have delivered very large gains for patient early holders despite the volatility.
- Bitcoin's fixed supply of 21 million leads some to view it as “digital gold” — a possible hedge against inflation and currency debasement over very long periods.
- Growing acceptance — regulated ETFs, custody by large institutions and clearer rules in places like the EU — has made it somewhat more mainstream than a decade ago.
- Blockchain technology itself has genuine, lasting uses, which underpins long-term interest in platforms like Ethereum.

A balanced conclusion: a small, well-known allocation (often suggested as no more than 1-5% of an investment portfolio) held for many years can be defended as a high-risk, high-reward long-term position. Frequent trading of lesser coins in the hope of quick gains is squarely speculation — closer to a casino than to investing. Never invest money you cannot afford to lose entirely.

*“Invest in crypto only what you are prepared to lose, and treat any gains as a bonus rather than a plan.” — A common principle among prudent financial advisers*

## 9. Advantages and Disadvantages

### Advantages

- **High return potential:** Over the long run, leading coins have produced exceptional gains for some early holders.
- **Diversification:** Crypto does not always move in step with shares or bonds, so a tiny allocation can add a different return source.
- **Fast, borderless transfers:** Value can be sent across the world quickly, any time, without traditional banking hours or intermediaries.
- **Accessibility and ownership:** Anyone with a phone and internet can participate, and you can hold assets directly without a custodian.
- **Limited supply:** Capped-supply coins like Bitcoin cannot be “printed” at will, which appeals to those worried about inflation.
- **Transparency:** All transactions are recorded on a public blockchain that anyone can inspect.

### Disadvantages

- **Extreme volatility:** Prices can halve or worse in months; losses can be sudden and severe.
- **No intrinsic income or value:** Most coins pay nothing and have no underlying business.
- **Regulatory uncertainty:** Rules can change suddenly; in India the heavy 30% tax and 1% TDS reduce returns and flexibility.
- **Security risks:** Exchanges can be hacked or collapse, and if you lose your private keys your crypto is gone forever — there is no “forgot password” help desk.
- **Scams and fraud:** The space is full of fake coins, Ponzi schemes and “pump and dump” manipulation.
- **No safety net:** Unlike bank deposits, there is no deposit insurance and no central authority to compensate you for losses.
- **Irreversible transactions:** If you send funds to the wrong address or fall for a scam, the money usually cannot be recovered.

## 10. Is It Suitable for All Age Groups?

Age matters in investing mainly because of time horizon — how long you can leave money invested and how long you have to recover from a loss. Crypto’s violent swings make this especially relevant.

| Life stage             | General guidance  |
|------------------------|---|
| Young adults (20s–30s) | Have the longest time to recover from losses, so can tolerate a small speculative allocation — but only after building an emergency fund, clearing high-interest debt, and starting core savings. A tiny slice, treated as money they can lose. |

| Life stage                         | General guidance   |
|------------------------------------|--|
| <b>Middle-aged (40s–50s)</b>       | Usually focused on family responsibilities and retirement saving. Any crypto exposure should be modest and clearly separate from money needed for goals like children’s education or the home loan.                          |
| <b>Near or in retirement (60+)</b> | Capital preservation and steady income matter most, and there is little time to recover from a crash. Crypto is generally least suitable here; if used at all, it should be a very small, optional sliver of surplus wealth. |

So crypto is not equally suitable for all ages. It fits best where the time horizon is long and the amount is small, and fits worst where the money may be needed soon and cannot be replaced.

## 11. Suitability by Risk Profile

Every investor has a “risk profile” — a measure of how much ups and downs they can tolerate financially and emotionally. Crypto fits very differently across the three common profiles.

| Profile                       | What it means  | Crypto suitability   |
|-------------------------------|--|--|
| <b>Conservative</b>           | Wants to protect capital; prefers safety and steady income over high returns. Cannot stomach large losses. | Generally not suitable. If any exposure at all, it should be token — well under 1% — and most conservative investors are better off avoiding it entirely.    |
| <b>Moderate / Medium risk</b> | Accepts some ups and downs for better growth; balances safety with return.                                 | Small allocation possible — commonly suggested at 1–3% of the portfolio — strictly in the largest, most established coins and held for the long term.        |
| <b>Aggressive</b>             | Seeks high growth and can withstand large swings and even substantial losses without panic.                | Suitable as a high-risk component, perhaps up to around 5–10% for those who truly understand it — but still diversified and never the bulk of the portfolio. |

The golden rule across all profiles is the same: the percentage you place in crypto should be small enough that, if it went to zero tomorrow, your financial life and goals would remain intact.

## 12. Should a Retiree Hold Crypto?

This deserves its own discussion because retirees face a very different situation from younger investors. In retirement, the salary has stopped, the portfolio must last for the rest of one’s life, and there is little or no time to recover from a major loss. The priorities are usually safety of capital, regular income, and peace of mind.

Against that backdrop, crypto’s defining feature — the possibility of falling 50% or more in a short period — is exactly the kind of risk most retirees should avoid for the money they depend on. A retiree who put a meaningful share of savings into crypto and then faced a crash like the 2025–2026 decline could see their lifestyle and security badly damaged, with no working years left to rebuild.

The conservative and widely shared view is therefore: a retiree's core portfolio — the money needed for living expenses, medical care and emergencies — should not be in crypto at all. It belongs in safer instruments such as bank deposits, government and high-quality bonds, pension products, and conservative mutual funds.

That said, a retiree who is genuinely wealthy, has all essential needs fully secured, understands the technology, and has surplus money they could lose entirely without consequence may choose to place a very small “fun” amount — a fraction of a percent of their wealth — in a leading coin out of interest. This is a personal choice, not a recommendation, and it should never come from money required for security or income. For the great majority of retirees, the simplest and wisest course is to admire crypto from the sidelines.

### 13. If You Still Decide to Invest — Practical Safeguards

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1. Invest only money you can afford to lose completely — never borrow to buy crypto.
2. Start with a tiny amount and learn before adding more.
3. Stick to the largest, most established coins; avoid obscure tokens and meme coins.
4. Use reputable, compliant exchanges, and enable every available security feature.
5. Understand the tax: keep records of every transaction for the 30% tax and 1% TDS.
6. Beware of guaranteed-return promises, unsolicited tips and “get rich quick” schemes — they are almost always scams.
7. Keep your private keys and passwords safe; consider secure storage for larger amounts.
8. Never let crypto crowd out your essential savings, insurance and emergency fund.
9. When in doubt, consult a qualified, registered financial adviser before acting.

### 14. A Few Notable Quotes on Cryptocurrency

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Crypto inspires strong views on all sides. These quotes capture the range of opinion and are offered for reflection, not as advice.

*“Bitcoin is a remarkable cryptographic achievement, and the ability to create something that is not duplicable in the digital world has enormous value.” — Eric Schmidt, former CEO of Google*

*“Every informed person needs to know about Bitcoin because it might be one of the world's most important developments.” — Leon Luow, Nobel Peace Prize nominee*

*“Bitcoin is a technological tour de force.” — Bill Gates, co-founder of Microsoft*

*“Cryptocurrencies will do to banks what email did to the postal industry.” — Rick Falkvinge, founder of the Swedish Pirate Party*

“Stay away from it. It’s a mirage, basically. It does not produce anything.” — Warren Buffett, offering the well-known sceptic’s view

The contrast between these voices is itself the lesson: even the most accomplished investors and technologists disagree sharply. That is all the more reason to think for yourself, size your risk carefully, and never invest on hype alone.

## 15. Conclusion

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Cryptocurrency has earned its place in any honest discussion of modern asset classes. It is innovative, global, and has created remarkable wealth for some — and devastating losses for others. As an asset class it is best understood as high-risk and high-reward, driven more by sentiment than by fundamentals, and still maturing under evolving regulation.

In India, it is legal to own but heavily taxed and viewed with open suspicion by the RBI, which prefers its own Digital Rupee. Globally, the trend is towards clearer rules rather than blanket bans, but the underlying volatility remains. For most ordinary savers — and especially for retirees and conservative investors — the prudent approach is either to stay out, or to limit any exposure to a very small slice of well-known coins that one can afford to lose. Younger and more aggressive investors with long horizons may justify a larger but still modest allocation.

Above all, let no one invest in crypto out of fear of missing out. Understand it, size it sensibly, diversify, and treat it as the speculative frontier of your portfolio — never as its foundation.

## Disclaimer

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