Crypto Tragedies

There’s a robust debate in investing circles about whether bitcoin—or other so-called ‘cryptocurrencies’—are actual investments. But there’s no question that cryptocurrencies contain an element of risk that you don’t find in more traditional investment opportunities: if you forget the key to your bitcoin ‘wallet,’ or throw away your laptop that contains your ‘wallet’ without moving the assets, then you will lose all the value completely and forever. There is no help desk to call to get your money back.

How often does this happen? Credible sources believe that about 20% of all bitcoin, worth just under $170 billion at today’s prices—are lost forever. A company called Wallet Recovery Services, which helps people find lost digital keys, receives 70 requests a day from people who want help recovering their digital investments.

As an example, consider the case of Stefan Thomas, who forgot the password to his digital wallet, which means he cannot access roughly $220 million worth of the cryptocurrency. He has two more guesses left to figure out his password; if he guesses wrong, the amount of bitcoin permanently out of circulation will jump up incrementally, and one more promising bitcoin ‘investment’ will have generated zero returns and a lot of heartache along with them.

Sources:

<https://www.nytimes.com/2021/01/13/business/tens-of-billions-worth-of-bitcoin-have-been-locked-by-people-who-forgot-their-key.html>