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How To Invest in Bitcoin With Your Business

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A growing number of businesses are recognizing bitcoin as a valuable long-term investment. As a result, many business owners are now asking whether their company could benefit from bitcoin—and if so, how to get started.

This guide offers the essential information you need to evaluate bitcoin as a business investment and implement it effectively within your organization.

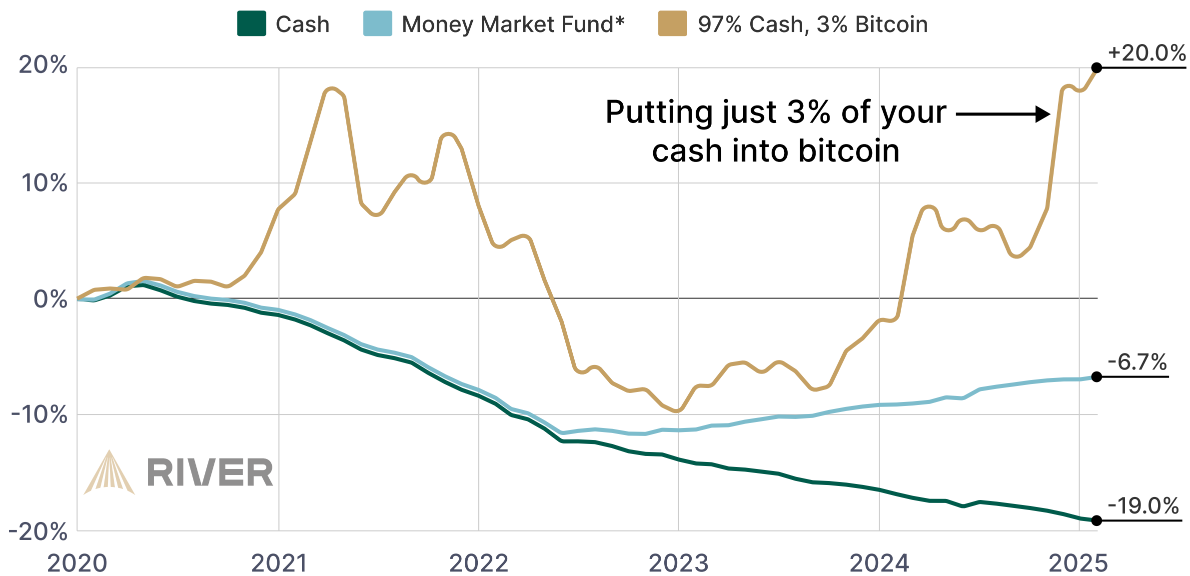
Why Businesses Are Adopting Bitcoin

Many businesses hold on to cash so they can grow and endure economic downturns, but endless money printing by banks and governments makes it difficult to preserve the value of these profits. As a result, businesses are forced to invest the money. Unfortunately, most short-term options are risky and/or don't keep pace with inflation—in other words, they lose value over time.

Businesses are increasingly adopting bitcoin to address this issue. Bitcoin provides a unique diversification as a liquid, scarce asset with a fixed supply of 21 million coins. This scarcity has historically allowed bitcoin to far outperform inflation, making it an effective long-term store of value.

Consider a hypothetical example of three businesses in the year 2020, each taking a different approach to managing their profits. The first held all its reserves in cash, which lost 20% of its purchasing power over the following years. The second invested in a money market fund, yet still failed to maintain its purchasing power. The last business invested just 3% of its cash reserves into bitcoin—that modest bitcoin investment would have offset the effect of inflation, increasing the purchasing power of their treasury by 20%.

Inflation-Adjusted Returns



*Vanguard Federal Money Market Fund (VMFXX)

Key Benefits of Bitcoin in Treasury Management:

Inflation Resistance	Bitcoin's limited supply offers investors and businesses a way to preserve value over time and protect against inflation.
Enhanced Liquidity	Unlike traditional banking hours, bitcoin offers 24/7/365 access to liquidity. This ensures business owners have access to funds held in bitcoin 24/7/365. It can act as an emergency fund in case of banking issues and allows you to initiate transfers at any time.
Counterparty Risk Protection	The 2023 Silicon Valley Bank collapse highlighted the counterparty risk of the traditional banking system. Businesses could not access their money, they couldn't pay their bills, or pay their employees. Bitcoin enables businesses to self-custody assets, reducing exposure to counterparty failures.

Allocation Strategies

There is no standard answer for how much bitcoin a business should hold. It depends on your business size, operating model, treasury size, and how comfortable you feel holding bitcoin.

As a general rule of thumb, businesses should maintain at least 3-6 months of cash on hand to cover expenses. Profitable businesses with excess reserves typically diversify into short-term investments, such as money-market funds, and long-term assets, such as bitcoin.

We recommend business owners start with a modest bitcoin allocation of a few percent of your long-term cash holdings. With time, you can adjust your allocation as your experience and comfort with the asset grows. Our detailed article examines how much bitcoin a business should hold.

Navigating Bitcoin's Volatility

Businesses must navigate bitcoin's volatility without it affecting their core operations. Bitcoin's price fluctuations can affect a business's net income, as changes in its value are reflected on a business's earnings.

We encourage all businesses to invest in bitcoin responsibly:

- Maintain plenty of cash reserves to meet upcoming expenses.
- Do not invest more in bitcoin than your risk appetite allows.
- Given bitcoin's unpredictable short-term price movements, avoid pursuing short-term gains; instead, adopt a long-term investment perspective.
- Spread out your bitcoin purchases over time to mitigate the potential price risk of a single, large purchase. You can achieve this with regularly recurring orders, or by earning Bitcoin Interest on Cash.

Where to Purchase Bitcoin

Choosing the right platform for managing a business's bitcoin purchases and sales depends on factors such as how much you want to buy, jurisdiction, and custody requirements.

Exchanges and Brokerages are ideal for businesses of all sizes that want a straightforward, all-in-one solution for bitcoin investing and custody.

Over-the-Counter (OTC) Trading Desks are for businesses that do not want an all-in-one solution with custody services, and are planning to implement complex treasury strategies that involve hedging and lending.

Exchange-Traded Funds (ETFs) are a convenient way for businesses to gain price exposure to bitcoin without directly engaging with bitcoin-focused exchanges or OTC desks. However, unlike actual bitcoin, bitcoin ETFs cannot be transacted or sent to business partners, come with additional fees, tax and accounting complexities, and lack the benefits of 24/7 liquidity.

Evaluating Exchanges and OTC Desks

Here are a few green flags to look for when evaluating an exchange or OTC desk:

Security	Choose a provider you can trust with your funds and information, even if you plan to self-custody your bitcoin afterward. For guidance on evaluating exchange security, refer to our article outlining 11 questions to ask your bitcoin exchange.
Fees	Bitcoin transaction fees can reach up to 3% on some platforms. Ensure your provider offers transparent details about both transaction fees and spreads.
Taxes and Performance Tracking	A reliable platform should supply businesses with comprehensive monthly account statements, including realized and unrealized gains and losses. Additionally, they should offer flexible tax lot strategies such as FIFO, LIFO, and HIFO.
Onboarding Expectations	Onboarding should take no longer than a day, but can last weeks or months on certain platforms. To avoid delays, ensure the provider offers a fast onboarding timeline and clear guidance on the process.
Audited, Licensed, and Regulated	US-based platforms should hold appropriate licenses and conduct regular security and financial audits through reputable independent firms.

How to Store Bitcoin

Most businesses use the same platform for the purchase, sale, and custody of bitcoin. However, you may choose to consider all available options before purchasing bitcoin:

1. Institutional Custody

Businesses and institutional investors often prefer outsourcing custody to third parties, such as the exchange where they purchase bitcoin. Before choosing a custodian, it's important to thoroughly understand their custody model, security audits (such as SOC 2), and history of any security breaches or fund losses. While outsourcing bitcoin custody to an institutional provider is a relatively safe and established practice, it does come with counterparty risk.

2. Self-Custody

Businesses may opt to self-custody their bitcoin holdings. The main risk of self-custody is losing the keys, which can lead to permanent loss of bitcoin. To mitigate this risk, businesses can use strategies such as multi-signature setups to distribute key ownership and remove single points of failure. Keep in mind that secure self-custody is for advanced users who are comfortable with complicated setups.

3. Collaborative Custody

If you self-custody, you can have a third party hold a backup key in case you lose one of your multi-signature keys. This protects you against single points of failure, but it comes at an ongoing cost.

For more information, read this guide on How a Business Can Store Bitcoin.

Accounting and Tax Standards

The accounting and tax standards for businesses that hold bitcoin on their balance sheet are relatively straightforward. Bitcoin holdings should be recorded at their current market value on financial statements and are subject to capital gains tax upon sale.

However, if your business receives bitcoin as payment for products or services, the accounting process becomes more complex. For a more comprehensive understanding of Bitcoin's accounting treatment, please refer to our article on Bitcoin Accounting and Taxes for Businesses, as well as the following resources:

1. **KPMG** Crypto Intangible Assets guide ›
2. **AICPA** Accounting for and auditing of Digital Assets practice aid ›
3. **FASB** Crypto Assets Subtopic 350-60 ›