

FINANCIAL SERVICES

## Affluent cryptocurrency investors must protect themselves from hackers

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*With a series of high profile hacks, bitcoin investors need to learn to protect themselves. Image credit: Bitcoin*

By DANNY PARISI

As wealthy consumers continue to embrace the possibilities of cryptocurrencies such as bitcoin, the affluent must remain cautious of hacks and data breaches.

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More and more wealthy consumers are taking up bitcoin, and their wallets are swelling in accord. This presents a perfect opportunity for criminals and hackers, necessitating affluents to learn ways to protect themselves from having their digital currencies stolen or compromised in any way.

"Luxury consumers that have cryptocurrency and want to use exchanges like this can take some basic steps," said Elizabeth White, CEO of [The White Company](#), New York.

"For example, having strong passwords and 2 factor authentication will help them secure their accounts," she said. "In addition, we recommend that those that have cryptocurrency holdings do not store them on exchanges, but rather on cold storage wallets, and only transfer to exchanges when they need to make transactions."

### Financial self-defense

Bitcoin and other cryptocurrencies are an increasingly important part of the digital economy, and their skyrocketing price have caused an upsurge in wealthy clients investing.

Notable, the rise of cryptocurrencies has also created a host of new luxury consumers who acquired their wealth through investing in bitcoin and other currencies.

Affluent consumers traditionally have already had wealth, and were probably more wary of bitcoin and cryptocurrency.

Most of the spending for luxury items in cryptocurrency comes from consumers who have recently acquired wealth mainly through the appreciation of their digital currency holders. To this point, the traditional luxury consumers embrace cryptocurrency less, while the nouveau crypto-rich, of course, embrace it fully.

But like any new tech, cryptocurrencies come with their own set of problems, mainly the danger of hackers.

2017 saw a number of major cryptocurrency scandals, such as hacks of Coindash and Parity, two burgeoning cryptocurrency startups, leading to millions of dollars lost.

Most recently the South Korean bitcoin exchange Youbit was forced to close down after hackers stole nearly a fifth of its clients holdings.

Hacks such as this, especially when they are due to the exchange being affected and not due to lax security of a user's own account, certainly make luxury consumers more wary of using cryptocurrency.

At the very least, it makes them more likely to use more trusted exchanges that at least seem to have better security and consumer protections or deal directly with merchants such as The White Company.

#### Cryptocurrency boom

Just as the luxury world was beginning to embrace bitcoin, the cryptocurrency began experiencing wild swings in value.

Over the past few weeks, bitcoin's value has fluctuated severely, dropping 50 percent in one day only to rebound to a greater price than ever before. While the fluctuations may make some wary of investing, luxury brands seem to be confident in the use of bitcoin no matter what the headlines say about it ([see story](#)).

From yachts to fine art, using cryptocurrencies as payment for high-priced items has gained traction among the world's affluent.

The most mainstream of the cryptocurrencies, bitcoin's valuation recently rose significantly to more than \$10,000 per "coin," a growth spurt of 1,000 percent in just 11 months after beginning 2017 at \$963 each. According to the International Business Times, at the start of the year, the cryptocurrency market was valued at \$18 billion, but it is now worth a reported \$300 billion, with bitcoin representing more than half of that figure ([see story](#)).

With some precautions, luxury consumers can protect their personal data, but they still run a risk when it comes to the security of the exchanges they choose to work with.

"Even if the user's account is not compromised, they may be exposed to loss of funds due to the exchange itself being hacked," The White Company's Ms. White said.

"Avoiding exchanges completely is difficult for consumers because very few merchants accept crypto directly, and are themselves more wary of accepting it when they see these types of hacks, so they still need to use exchanges to convert their crypto holdings into fiat to actually buy things," she said.