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Pros and Cons of Investing in NFTs

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Should You Invest In Non-Fungible Tokens (NFTs)?

If you've heard about [non-fungible tokens](#) (NFTs), then you might have thought about investing in them. But what does it really mean to "invest in NFTs"—and what are the pros and cons? It's a good idea to understand any asset class before you start investing in it.

For starters, "investing in NFTs" is a misnomer because NFTs by themselves are not exactly an asset class. Non-fungible tokens use blockchain technology to digitally signify ownership, making an NFT more like the title to a car rather than the car itself. Just like you wouldn't buy a car just for the paper title that comes with it, it's not smart to buy an asset just because it's been tokenized into an NFT.

That doesn't mean that investing in tokenized assets is strictly a bad idea. If you identify an asset that appeals to you, and have the funding, then maybe you should buy it. If ownership of the asset happens to be tokenized, then you can likely enjoy the additional benefits associated with NFTs. But make sure to also understand the risks, too, of NFT investing.

Keep reading to understand the pros and cons of investing in NFTs:

Pros

- Anyone can invest in NFTs
- NFT ownership is secured by a blockchain
- Opportunity to learn more about blockchain technology

Cons

- NFTs are not an asset class

NFT generation is highly energy-intensive

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- May need to own Ether (ETH)

Pros of Investing In NFTs

Investors have many reasons to want to buy assets that are tokenized into NFTs. Some of the advantages of investing in NFTs include:

- **Anyone can invest in NFTs:** Investing in tokenized assets is accessible to everyone. Asset ownership that is tokenized into an NFT can more easily and efficiently be transferred among people anywhere in the world.
- **NFT ownership is secured by a blockchain:** Using blockchain technology to digitally signify ownership can make an investor's ownership of an asset more secure. Blockchain tech can also make ownership of assets more transparent.
- **Opportunity to learn more about blockchain technology:** Investors can become more knowledgeable about blockchain, while diversifying their portfolios, by allocating a small sum to tokenized assets.

Cons of Investing In NFTs

Many investors also have valid reasons to be wary of investing in tokenized assets. Some of the disadvantages of NFT investing include:

- **NFTs are not an asset class:** NFTs are commonly—and erroneously—regarded as an [asset class](#) rather than a technological way to indicate ownership. General misinformation and the hype surrounding NFTs can cause the values of tokenized assets to be inflated and volatile.
- **NFT generation is highly energy-intensive:** Most NFTs are currently supported by the Ethereum blockchain, which uses an energy-intensive operating protocol called [proof of work](#). A single NFT transaction requires as much electricity as the average home for about a day and half. ^[1]
- **May need to own Ether (ETH):** With most NFT sales occurring on the [Ethereum](#) platform, owning the blockchain's native currency Ether (ETH) is often necessary to purchase an NFT. Investors wishing to buy NFTs with fiat money like the U.S. dollar may have limited options.

The Bottom Line

The bottom line is that NFTs have pros and cons, but it's probably a bad idea to invest in any asset just because it's tokenized. The [fundamentals of investing](#) still apply, regardless of whether an asset's ownership is indicated by a blockchain. Your best move as an investor is to identify quality assets that you'd most like to own, and then do what it takes to acquire them.

Why do people invest in NFTs?

Investors buy NFTs for many reasons. Some are keenly interested in owning the underlying asset, while others may perceive value in the asset being tokenized into an NFT. Others may invest in NFTs as a way to learn more about [blockchain technology](#).

Are NFTs a good investment?

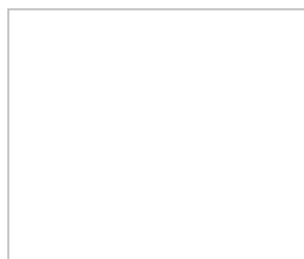
Investing in an [asset](#) just because it's tokenized into an NFT is not a good idea. NFTs by themselves are not investments, so make sure to understand the value of the underlying asset that you are buying before you purchase the NFT.

How can I invest in NFTs?

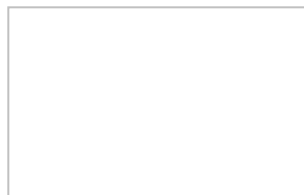
You can buy assets that have been tokenized into NFTs through any NFT marketplace and some [cryptocurrency exchanges](#). Many NFT marketplaces, such as OpenSea, are hosted on the Ethereum platform and may require you to own Ether (ETH) to buy an NFT.

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Related Terms

Non-Fungible Token (NFT)

NFTs are cryptographic tokens that cannot be replicated. Many kinds of transactions can use them, and they may create new markets in the future. [more](#)

Blockchain Explained

A blockchain is a digitally distributed, decentralized, public ledger that exists across a network. It is most noteworthy in its use with cryptocurrencies and NFTs. [more](#)

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