



# DIFFERENT TYPES OF CRYPTO WALLETS

EXPLAINED

## HARDWARE WALLET

A small, physical device that saves and encrypts private keys offline, connected to a computer via USB or Bluetooth.

### PROS

Usually supports a huge number of cryptocurrencies, meaning you manage all coins from a single wallet.

Very secure; all transactions are PIN protected, Cold storage make it immune from online hackers.

### CONS

Generally the most expensive wallet type---the upfront cost may be more expensive than the coins you hold.

You can recover funds through a seed phrase, but this has to be written somewhere and is thus prone to the same vulnerabilities as paper wallets.

## PAPER WALLET

A physical, offline wallet where the public and private key (or root seed) is printed onto paper.

### PROS

It's free, easy, and quick to make a paper wallet, with several websites providing the necessary tools.

It's cold storage, thus is secure against any malware and any sort of hacking or online threat.

### CONS

Easy to steal physically, either by someone taking the paper or just snapping a photo of it.

Prone to wear and tear from the ink fading or paper ripping, along with destruction from natural causes like floods or fire.

## MOBILE WALLET

Accessed through an app on your phone to buy, sell, and trade, and can be used in physical stores that accept cryptocurrency payments.

### PROS

Convenient to use when on-the-go; if you have your phone, you have your crypto.

Low barrier to entry. We're all familiar with mobile apps; it can sit alongside your other mobile payment methods.

### CONS

If you lose or damage your phone, you're at risk of losing your cryptocurrency if you didn't retain your seed phrase.

Because it's connected to the web, it is a hot wallet. It could be vulnerable to malware and hacking attacks

## DESKTOP WALLET

A program installed to your computer, which can be used regardless of whether the system has been connected to the internet.

### PROS

Providing you've never connected your computer to the internet, it's a safe option as your data is only stored locally.

Simple, often free solution, perfect if the majority of your cryptocurrency transactions are handled from your computer.

### CONS

You need to need to perform backups, because if your computer is stolen or breaks then you lose your cryptocurrency.

Inconvenient when it comes to on-the-go transactions like QR codes.

## WEB/ONLINE WALLET

A hot wallet that is accessed via the internet by using a web browser.

### PROS

If your device, like phone or desktop, is damaged then your cryptocurrency is unaffected.

You can access your wallet from anywhere and many come with desktop and mobile applications.

### CONS

Your private keys are stored in the cloud by a third-party, making you reliant on their security measures.

You are also beholden to the third-party's policies and they might shut down or deny you access.

## HYBRID WALLET

A type of online wallet, but where the private keys are encrypted on your local device before being sent to the third-party.

### PROS

Providing the encryption is strong enough, the third-party cannot see your private keys and thus cannot spend your cryptocurrency.

You can remove your private keys from the third-party and transfer them to another wallet if necessary.

### CONS

Another entity has some degree of control over your private keys.

If you don't backup your key, there's no way for you or the third-party to recover it if you lose it.

## CUSTODIAL WALLET

A type of wallet where your private keys are stored and controlled by a third-party (the custodian). Wallets on large crypto exchanges are custodial.

### PROS

Usually easier for those new to cryptocurrency to use, especially as the custodian often provides customer support.

The custodian can help you recover your wallet if you forget the password.

### CONS

You don't have full control over your cryptocurrency, since it's managed by the custodian, and your funds could be frozen.

You might not receive coins if the cryptocurrency forks.

## NON-CUSTODIAL WALLET

A type of wallet where your keys are encrypted locally and entirely within your control.

### PROS

You have sole control over your cryptocurrency and can do with it as you wish.

You are protected from online threats like malware, since your key is not stored online.

### CONS

If you lose your key and have no backup, you've permanently lost your cryptocurrency.

If your device is compromised by malware or a malicious user, then your cryptocurrency is at risk of being stolen.