

# INSIDE DIGITAL ASSETS

with RIC EDELMAN

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## UNDERSTANDING DIGITAL WALLETS

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Part of the appeal of bitcoin and other digital assets is that they are not controlled by a central authority. But that also means there's no "help button." So, if you lose your private key, your bitcoin is gone forever, and if someone obtains your private key, they can steal your bitcoin.

Wallets are therefore key to storing and safeguarding your digital assets, such as bitcoin.

### What's a Digital Wallet?

You store your bitcoin keys in a digital wallet. There are several kinds, so let's explore them.

A *custodial wallet* is provided by popular exchanges, like Coinbase and Gemini. They make it easy to buy, trade, and store bitcoin and other digital assets. You open an account with them, and if you forget your password, they let you reset it. Thus, you won't have to worry about losing your key - they take care of it for you.

Most custodial wallets are *hot wallets*, meaning they are connected to the internet. This means they are vulnerable to hackers. To solve this problem, many exchanges let you store your digital assets in a *cold wallet*. Arguably the most secure way to store your bitcoin, cold wallets are USB drives and other pieces of hardware that hold your digital assets. Because they are not connected to the internet, they are safe from hackers. The best cold wallets let you assign a password for additional protection.