GET THE DOWN LOW ON CRYPTO

Investors have been flocking to cryptocurrency for the last several years, and the trend does not seem to be slowing down.

Since cryptocurrency is an alternative asset, you have the option to invest in it with a self-directed IRA (SDIRA) and grow your retirement portfolio in a tax-advantaged way. But before you get started, here are some of the terms you need to know to navigate the crypto space.

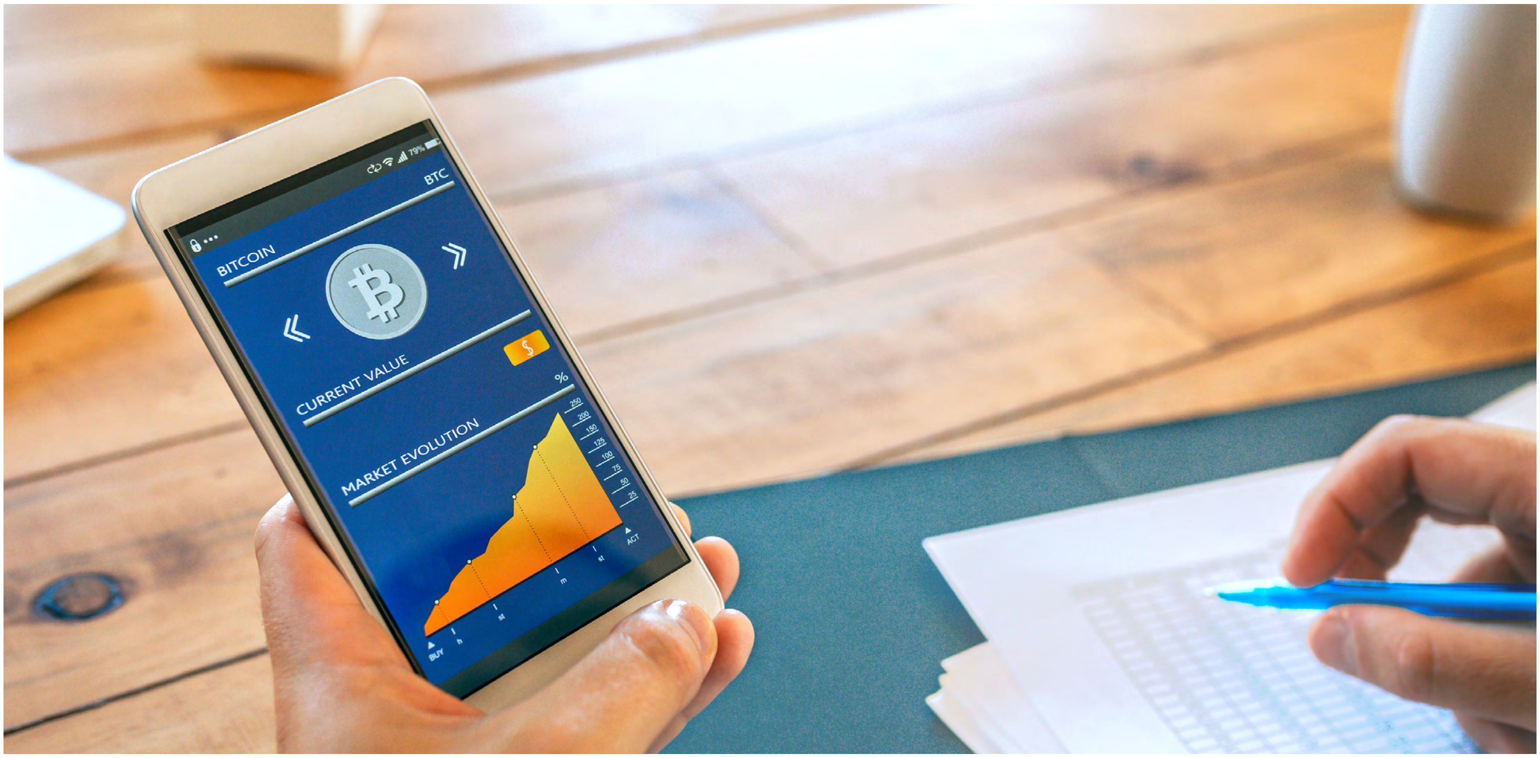
SEVEN CRYPTO TERMS YOU NEED TO KNOW:

Decentralized Currency

Cryptocurrencies were created as digital, decentralized currencies which are peer-to-peer coins that can be exchanged without a third party, such as a bank. The initial goal of this decentralized currency was to allow people more control over their money without relying on third parties. It was also designed to eliminate the possibility of a single point of failure in the market. The decentralized nature of cryptocurrency means that no one person has control of all the data and transactions, but the information on the blockchain is shared by all.

Blockchain

Cryptocurrencies are created with cryptography and kept on a public digital ledger that verifies transactions on a blockchain. Blockchains are a data storage system that structures data into blocks. These blocks are then linked together with cryptography, creating a chain. The cryptography combined with the public ledger makes crypto extremely secure.



Coins

Cryptocurrencies are created as coins, but it is important to remember that these coins are not physical. You might also hear coins referred to as tokens. Every crypto coin or token represents an asset and is registered as a ledger entry on a blockchain. Like physical coins, crypto coins can be an investment asset, traded, and used to make purchases.

Keys

All cryptocurrency is traded in a wallet, and all wallets are secured by keys. Keys are simply a unique password that is sometimes called a "key password." In the event that someone loses their crypto wallet keys, there is absolutely no way for them to recover their cryptocurrency. This is why it is important to understand the wallet and key setup for your investments.

Exchanges

Although crypto was originally designed as a decentralized currency that could be held by individuals, the shift in the crypto market has been toward more centralized exchanges. These exchanges are platforms that allow investors to purchase crypto. The platform then holds the crypto in an aggregated wallet. They hold your private keys, and you access your account with a password set up. Some popular exchanges you may have heard of are Coinbase, Kraken, and Binance.

Storage

Crypto can be stored online or offline. Online storage is called hot storage, and offline storage is called cold storage. Although cryptography makes cryptocurrency secure, online platforms that hold cryptocurrency in hot storage are still able to be hacked. Cold storage often has additional fees or requires a device, but in cold storage your crypto is not online and more secure.

Wallets

All cryptocurrency is traded in a wallet, and all wallets are secured by keys. Keys are simply a unique password that is sometimes called a "key password." In the event that someone loses their crypto wallet keys, there is absolutely no way for them to recover their cryptocurrency. This is why it is important to understand the wallet and key setup for your investments.

Hosted

With a hosted wallet on an exchange, your crypto is stored in a wallet, but you are not in control of the wallet. You access the wallet with a password, and you do not hold private keys.

Non-Custodial

Non-custodial wallets, or self-custody wallets, are wallets you access through an app, like MetaMask or Trust Wallet. They are connected to the internet and only offer hot storage. You are responsible for holding the keys.

Hardware

Hardware wallets are physical devices that hold your crypto keys. They are about the size of a thumb drive. With a hardware wallet, you can connect to any number of apps to purchase and manage your crypto, all while keeping your keys safely stored offline.

Start Investing in Crypto

Now that you're familiar with the crypto terminology, you might want to learn how to invest in crypto with your SDIRA. Feel free to check out our cryptocurrency webpage or our blog, **How to Invest in Cryptocurrency with Your SDIRA** to get started.

And if you don't have an SDIRA, download our **Self-Directed IRA Basics Guide** to learn how self-direction lets you invest in almost any asset and build your retirement portfolio your way.