







# How to Safely Store Cryptocurrencies

According to Chainalysis, hackers stole over \$3.8 billion worth of crypto in 2022. So if you're considering investing in crypto this year, it helps to think of how to store your cryptocurrencies safely.

This article covers custodial wallets, hot wallets, offline crypto wallets, and what each wallet type is best for so you can choose the best crypto wallet that fits your needs.

## Types of Crypto Storage

Basically, there are 3 main types of crypto storage, namely:

- Custodial (exchange) wallet
- Non-custodial Hot wallet
- Offline crypto wallet

### Store Cryptocurrency In An Exchange

One of the [best crypto wallets](#) used by many new and small-scale crypto investors and traders is a custodial wallet.

Custodial crypto wallets are offered by crypto exchanges and are best for storing digital assets that you're actively trading or investing on the exchange.

Once you create an account with a crypto exchange like [Bitbuy](#) or Coinbase and complete KYC verification, you automatically gain access to a hot custodial wallet.

Your crypto assets are automatically deposited in your exchange's custodial wallet when you trade on the exchange.

The exchange acts as your custodian and does its best to manage your wallet and securely store your crypto keys for you.

However, custodial wallets have their downsides, including:

- Prone to hacks: Crypto exchanges are prime targets of cyber attacks. Cases exist where millions have been stolen from centralized crypto exchanges.
- Mismanagement: Crypto exchanges have been accused of using users' funds to secretly fund their operations, hence being unable to fill concentrated orders.
- Collapse: FTX and Mt. Gox are great examples of collapsed crypto exchanges that left crypto traders and investors holding the bag.

That said, [crypto exchanges](#) have been taking several steps to enhance the security of their custodial wallets and safeguard user assets, including:

- Insurance: Providing insurance for user assets in hot and cold wallets
- Enterprise-level cold storage: Keeping a majority of assets in offline cold wallets where they cannot be accessed.

Wallet comparison: Keeping user funds and exchange funds in separate wallets

