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Crypto Wallets: Hot Wallets vs Cold Wallets

Two Types of Crypto Wallets

If you are not familiar with [crypto](#), it is important for you to learn the basics of securely storing your cryptocurrency. And if you've searched this on various online cryptocurrency forums, you've probably heard about the never-ending war between the two types of crypto wallets – hot wallets and cold wallets.

The ongoing debate over which is better – hot wallets or cold wallets, seems to never end.

In this article, we will introduce you to hot wallets and cold wallets and explain the differences between them to help you choose the right one for you.

Now let's understand what a [cryptocurrency wallet](#) is. The term wallet can be a bit deceptive because it doesn't hold cryptocurrency tokens in the same way that a normal wallet does for your money. A cryptocurrency wallet stores both the public and private keys of a cryptocurrency user to a secure point where no one can gain access to their tokens without permission. This means that if you have lost access to your own key, you will be locked out and will not be able to access your tokens at all.

Hot Wallets

Hot wallets are the most common types of [crypto wallets](#) because they are simple to set up and easy to use. When you create an account on an exchange, you create a hot wallet by downloading a mobile wallet or desktop wallet on your laptop.

Hot wallets are suitable for everyday cryptocurrency users because they are connected to the Internet. You can seamlessly make crypto transactions with the clicks of a few buttons on your phone or computer.

While hot wallets stand out for their ease of use, they have one major drawback – security. Therefore, it is not recommended to store a large amount of digital assets in a hot wallet, as this can expose your funds to potential security threats, such as cyber theft.

Cold Wallets

Cold wallets are considered the more secure cryptocurrency storage solution because they are not connected to the Internet. You only connect your cold wallet to the Internet when you want to make a transaction.

Both hardware wallets and paper wallets are cold wallet options. However, hardware wallets are more popular as they are easy to use and come with customer support from the manufacturer.

Hardware wallets use a physical medium, usually in the shape of a USB stick, to store the wallet's private keys, making them virtually inaccessible to hackers or other malicious parties. If you want to send crypto from your hard wallet to another address, you connect your hardware wallet to the Internet via the wallet's dedicated software, and then use your private key to sign transactions.

Paper wallets function similarly as hardware wallets. However, paper wallets are pieces of paper that contain a public wallet address and a private key.

The main disadvantage of cold wallets is that they are impractical for everyday crypto users, as it is more cumbersome to send crypto from a cold wallet.

We try to clarify the benefits and workings of both hot and cold wallets. Hope you'll find this article useful.