In this lecture specifically I want to go over wallet types. Then we’ll move onto more the advanced areas of this section in the following lectures. So lets jump into learning all about wallet types!

Now to begin with I just want to clear up what wallets actually are if you aren’t aware. The easiest way to look at them are as bank accounts in the cryptocurrency world, but one which you have a lot more control over and isn’t riddled with endless paperwork in regards to setting one up. Your cryptocurrency wallet, whichever provider you choose to go with allows you to do the three functions; store, receive and send cryptocurrencies. Some wallets now also have functions where you can purchase as well as sell your cryptocurrencies from within the wallet. Hence making them the complete solution!

There are various types of cryptocurrency wallets out there, I’ll now go over the variety of wallets with you. Because even though they generally have the same purpose, there created in different ways which makes some more safe than others.

The first type of wallet we have are web based wallets, the most popular web wallet out there is Coinbase. As you can guess by the name, it’s a type of wallet that you access via the web. Perhaps not the safest way to store large amounts of Bitcoins, but for those who are getting started with cryptocurrencies it’s often the easiest way to get started.

Following on from web wallets, we have paper based wallets. Once again as it says, it’s pretty straightforward. These cryptocurrency wallets are paper based, and contain all the data required on them to generate any number of Bitcoin private keys. This type of wallet is often used by those who wish to keep cryptocurrencies safe, and offline in the most physical form possible. In fact if you have a Blockchain cryptocurrency wallet, you can create a paper wallet from there!

Next up we have brain wallets. So these are wallets where you’re essentially given a random string of words to memorise for your wallet, many write this down, but if you do remember it in your mind it’s a true brain wallet. But there are issues here when it comes to if you pass away, that wallet is gone forever with you if you didn’t write down the words. A few wallets use a parts of brain wallets like the Armory wallet and others.

Lets now move onto hardware wallets. So a well known example of a hardware wallet is Trezor. These are really secure, and a great way to store large numbers of Bitcoins. So these types of wallets store your private keys in the hardware device. They have major advantages over standard software wallets, one being private keys are often stored in a protected area of a microcontroller, and two, they cannot be transferred out of the device in plaintext. So super secure!

And then we have multi-sig wallets. This is simply where wallets require more than one key to authorize a cryptocurrency transaction. You’ll generally find many other wallets incorporate aspects of multi-sig within them, it’s just a way to keep things even more secure.

Now just to round off on this lecture I want to go over hot and cold wallets with you, and what they mean.

So there are wallets that are referred to as hot wallets. Now hot wallets are wallets which are in some way connected to the internet. You could class Coinbase as a hot wallet, as it’s connected to the internet. It’s important to understand this term. So a hot wallet is simply a wallet that is connected to the internet.

Then on the opposite site we have cold wallets, or as some refer to it as cold storage. These are wallets where your cryptocurrencies are not present on a web server or computer, it’s otherwise offline. These sort of wallets are great for storing large amounts of cryptocurrencies, as they are less vulnerable to hackers who may be out to steal your tokens.

We look forward to seeing you in the next lecture where we’ll show you how to setup a wallet!