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Crypto due diligence checklist:

17 things you should know before investing in crypto

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BUY

Welcome to Decentral Publishing's Crypto Due Diligence Checklist!

Investing in crypto isn't something that you can just jump into right away.

This crypto due diligence checklist will help you figure out where to start and how to develop a comprehensive plan for your investment strategy, from finding reliable resources for analysis - including [how to DYOR](#) (do your own research), to learning how to analyze coins and their companies.



#1. Understand fundamental investment and crypto technology-related terms

You wouldn't jump into anything without at least knowing the basics first, right? When it comes to investing in crypto, be sure you do some research and understand the most [common investing terms](#) you're likely to come across when developing your crypto investment strategy.

This includes terms like:

- blockchain
- proof-of-work
- [staking](#)
- proof-of-stake
- decentralization
- crypto exchange
- hot and cold wallets
- technical analysis
- fundamental analysis



#2. Set financial goals to figure out which cryptocurrency to buy

The second tip in this crypto due diligence checklist is to set goals. Concrete, specific [financial goals](#) are crucial for success in general, and it's no different when it comes to crypto investing. Why do you want to invest in crypto in the first place? Depending on your answer, there may be a cryptocurrency out there that suits your needs better.

For example, Ethereum is better suited for smart contracts. Binance is a utility token that will grant you access to particular services and products. Bitcoin offers a certain sense of stability due to its large market share. Depending on what you want to use your crypto for, one of these may work best for you.



#3. Use technical analysis to help you make educated decisions

[Technical analysis](#) is a great tool you can use in your crypto investment strategy. It's a financial strategy used in both traditional stock investing and crypto investing that involves analyzing the price history of a particular coin.

Analysts look at the crypto's price movement over time, its current trading activity, and what its price is likely to be in the future.

Based on that information, you can decide whether it is a good investment opportunity for you.



#4. Seek advice from investors with similar goals as you

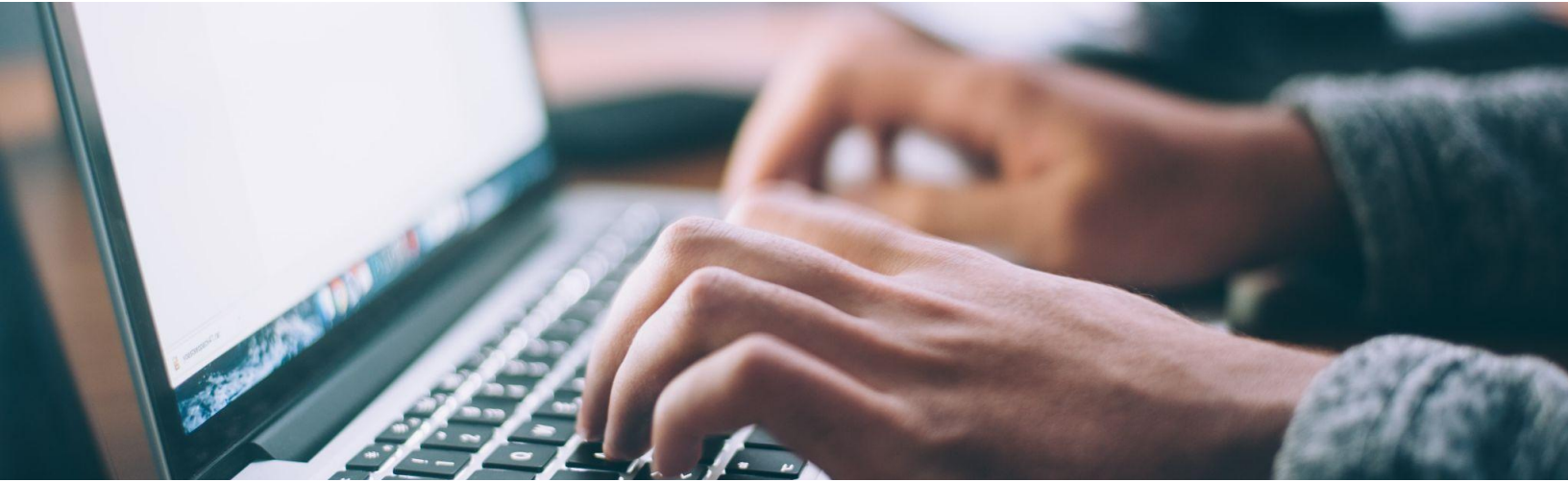
There are several different types of investors, and it's typically better to take advice only from the ones that align with your financial goals.

For example: day traders are more likely to be focused on short-term gains.

They make many small trades throughout the day in order to make a

profit. This involves keeping a close eye on the cryptocurrency markets, where prices can fluctuate rapidly.

On the other hand, other investors invest in cryptocurrency with the intention of buying and holding. They focus on the long-term outlook of the cryptocurrency, with financial goals of using that money years down the road.



#5. Not all altcoins are the same

Everyone's heard of Bitcoin, Ethereum, and meme coins like Dogecoin, right?

But did you know that there are [thousands of cryptocurrencies out there](#), and each one is unique in its own way?

While many may use the same technology to function, the overlying goals are different.

For example:

- Ethereum emphasizes its compatibility with smart contracts and DeFi apps.
- Cardano is known for its environmentally friendly operating system.
- Tether is another example of a digital token that is supported by an underlying blockchain platform.

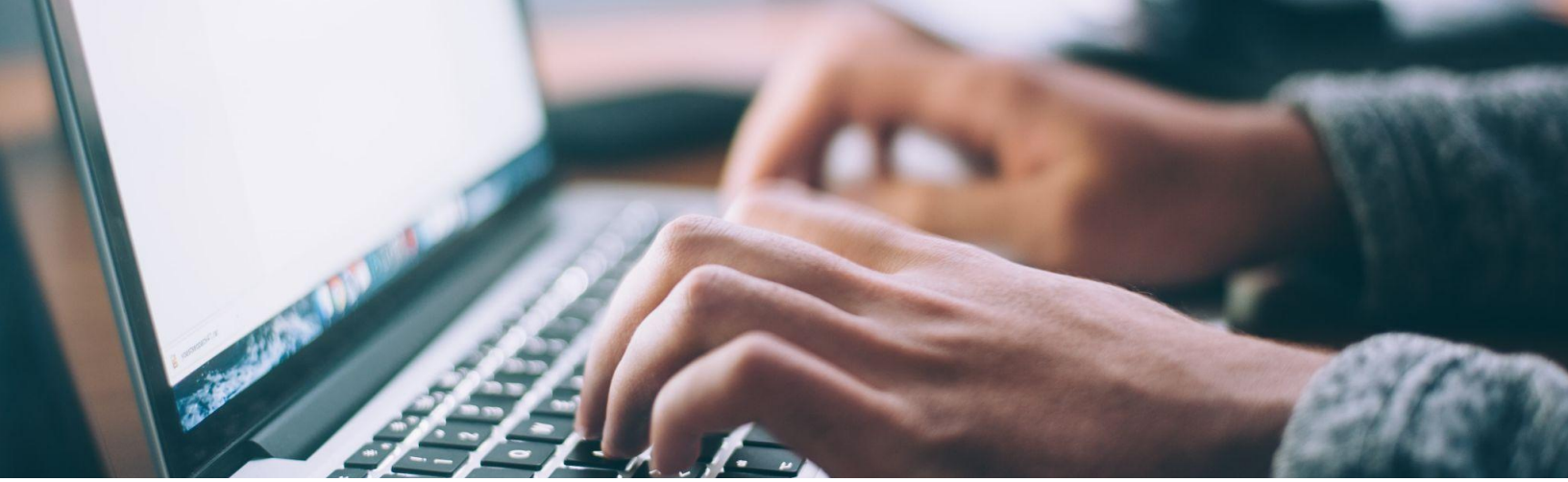
Altcoins that have simply digital tokens that aren't supported by an underlying platform can have a high potential for fraud and scams. So, while altcoins - and memecoins, in particular - are an important part of the crypto community, proceed with caution.



#6. Some cryptocurrency products are not dependent on blockchain technology

If you're specifically looking for a cryptocurrency that uses blockchain, keep in mind that [not every currency uses this type of technology](#). Blockchain is just one type of technology. The most common alternative that you'll likely encounter is directed acyclic graph (DAG).

Cryptocurrencies like IOTA and Byteball make use of this kind of system, which gets rid of blocks entirely and instead links individual transactions together. While these alternatives come with their own benefits, they aren't nearly as popular as [blockchain-based cryptos](#).



#7. Evaluate the history of the cryptocurrencies and their communities

A crucial step in this crypto due diligence checklist is knowing what you're buying before you start investing in cryptocurrency. You should know the [best cryptocurrencies to invest in](#) and make sure they're a good fit for your financial goals.

Also, you should look into the company behind the crypto along with their goals. Look into the company's founders, the [history of the currency](#) and company as a whole, the technology they use, the crypto's pricing, and credibility in the general market.



#8. Get a wallet that allows you to use crypto in everyday life

If you're serious about wanting to invest in cryptocurrency, it's generally best not to keep your crypto sitting in an exchange. If you do this, you won't have complete control over your crypto.

Instead, get your own wallet, and one that you can easily use in everyday life. This means a [crypto wallet](#) that allows you to easily make trades, spend and make transactions with your crypto, store your coins, and buy and sell your coins.

Software wallets, which give you easy access on desktop and mobile devices, allow for the most ease of use. However, for maximum security, a hardware wallet is often best.

With so many companies out there offering wallets, how do you pick the right one for you?

There are two main types of crypto wallets: hot or cold. The right one for you will depend on how often you plan on making transactions with your crypto, your crypto investment strategy, and how much security you want for your coins.

Also, some wallets only hold one type of crypto, so if you want to invest in multiple coins, look for a wallet that offers that.

Be sure to do some research before investing in crypto so you can [find trustworthy crypto wallets](#) with good reputations. You can also experiment before finding one to stick with.



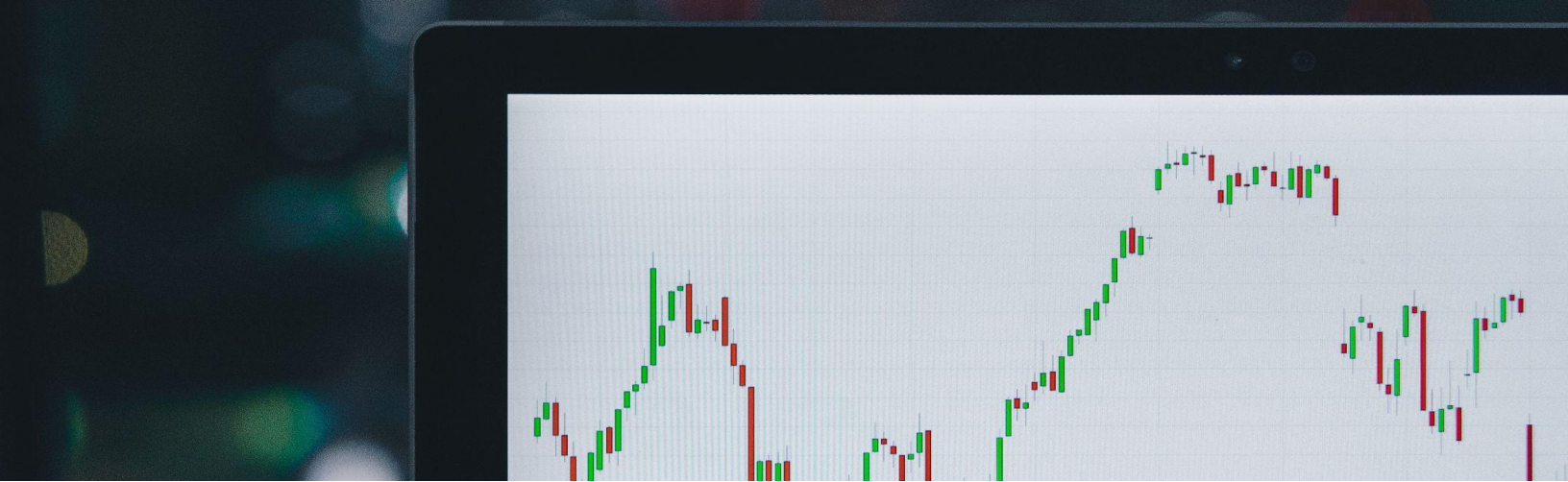
#9. Only invest what you can afford to lose

This crypto due diligence checklist wouldn't be complete without mentioning that it's generally best only to invest what you're comfortable losing.

This is the case with any financial investment, but especially with crypto investing, where the market prices can

change quickly. It's never a guarantee that your investment will pay off, and it's always possible that you could lose the entire amount. So, assess how much risk you're willing to take and invest accordingly.

There are profit calculators online that can be fun and helpful to checkout, like this [profit time machine](#).



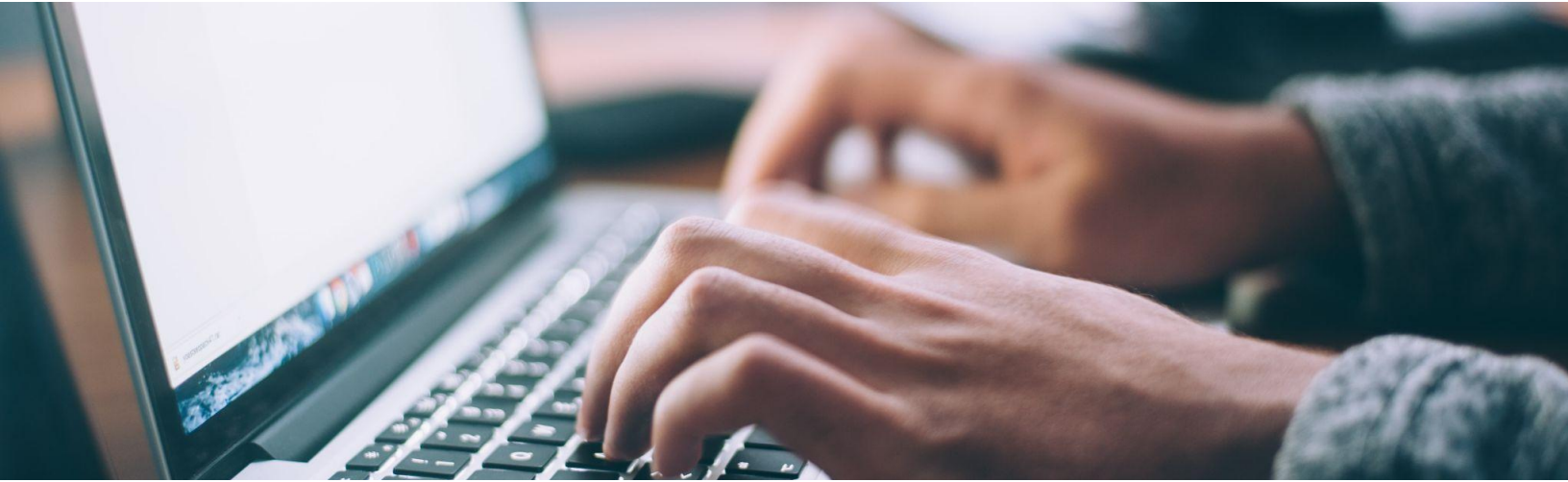
#10. Don't fall for pump and dump schemes

The next tip in this crypto due diligence checklist is to be careful where you get your information. Because essentially anyone can create a cryptocurrency and new ones pop up all the time, you need to be careful with what coins you invest in.

It's common to see the popularity of a new coin skyrocketing because of inflated hype on Twitter or Reddit. In fact, there is a term for this called "pumping." This occurs when a group

creates fake demand for a certain coin. Then, once the demand has driven up the coin's value, they "dump" or sell the gains, causing other investors to lose their investments.

To avoid "[pumping and dumping](#)" schemes, be sure to form your crypto investment strategy by taking advice from credible sources, [doing your research](#), and looking into the crypto currency's company, its goals, and history.



#11. Remember that the market never closes

One of the benefits of investing in crypto is that the market is open 24/7.

That's right: no holidays, no breaks.

From time to time, you may notice that a few centralized exchanges like Coinbase may shut temporarily for minor updates like server maintenance, the cryptomarket itself never closes.

In comparison, the traditional stock markets have established open and close times during weekdays and are closed on the weekends. It's worth

noting that traditional stock markets are moving towards a market never closes model, but it's still a work in progress. Traditional stock markets have offered after hours trading for years to high net worth investors and are only recently opening up after hours trading to regular investors. However, there's a whole different set of compliance requirements from the SEC and The Manning Rule.



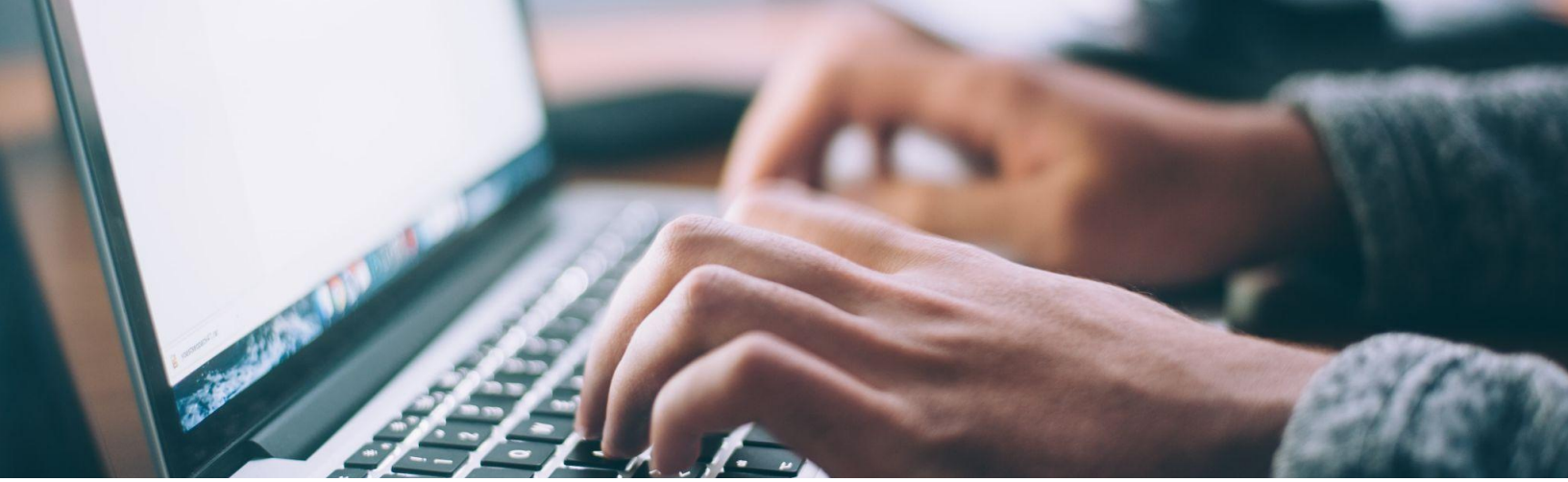
#12. Volatility happens, and it's not always a bad thing

Volatility tends to be commonplace in crypto markets, but there's often no need to panic if you have your eyes on the long term.

As long as you evaluate the currency's projected price and analyze the overall [crypto trends](#) currently going on in the market, buying and holding can be a

good strategy against volatility if you want to invest in cryptocurrency.

Also, keep in mind that some coins may be more stable than others - especially if they're backed by a fiat currency. These are called stablecoins and are a safer consideration for newcomers to the crypto market.



#13. Compare your crypto investment strategy with a company's goals

You should only invest in a particular crypto if the company's goals align properly with your own personal financial goals. For example, if you want to get into day trading, then that means you need to find cryptos that are making short term gains.

In this case, a coin like Bitcoin may not be as good as an investment choice for you because it tends to be more stable and unchanged year over year.

If you're looking for less risk in your crypto investment strategy and want

to focus more on buying and holding over the long-term, then a company with a stablecoin, such as Tether or USD Coin, may be better for you.

The goals of these stablecoin companies is to reduce risk and provide an alternative to the coins that are typically more volatile in the crypto market. If that fits with your own financial goals, then those cryptocurrencies might be a better investment fit for you.



#14. Market caps impact a coin's price

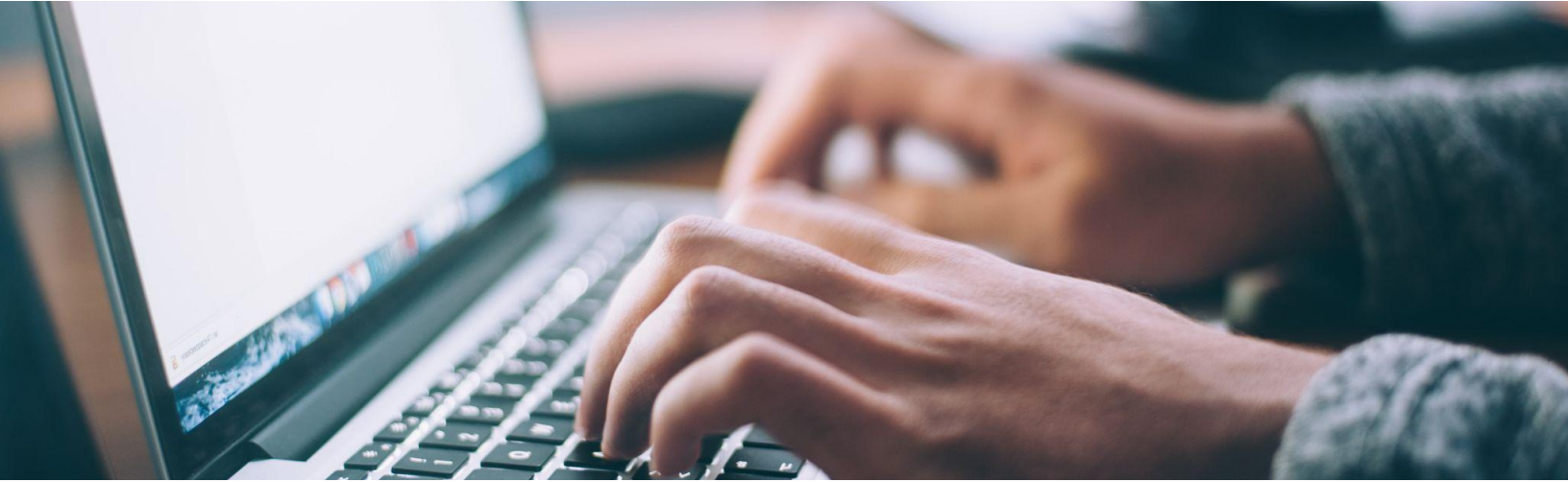
Market caps, or market capitalization, is the total dollar value of all the coins of a particular currency that have been mined so far or will be mined total.

To determine the [market cap of a crypto](#), multiply its current price by how many are in circulation or how many will be in the future.

The market cap can be a helpful indicator of whether or not a coin is worth investing in and how much risk is involved. Coins with larger market

caps generally carry less risk, though growth tends to be slower. On the other hand, coins with smaller market caps will have more risk and might be considered to have less potential.

However, keep in mind that a coin's market cap can change due to the volatile nature of the crypto market, even coins with large caps. This can have an effect on the coin's overall value.



#15. Decentralization matters

Next on this crypto due diligence checklist is to understand the importance of decentralization.

There's a lot to unpack here; so, let's jump right in.

[Decentralization is key for cryptocurrencies](#) to be secure, valuable, and successful.

Decentralization means that no one individual or group controls the currency or the technology it uses. Instead, control is distributed throughout all users, and anyone can participate in the system.

More specifically, the importance of decentralization matters when it comes to the choice between [centralized and decentralized crypto exchanges](#).

A centralized exchange is generally easier for beginners, as it presents a user-friendly way to start investing in crypto. Think: Binance or Coinbase.

These are exchanges where the company has created a user interface that is easy to navigate, facilitates easy exchanges of crypto, and offers customer support.

So if centralized exchanges provide all this support, why might a decentralized exchange (aka [DEXs](#)) be better?

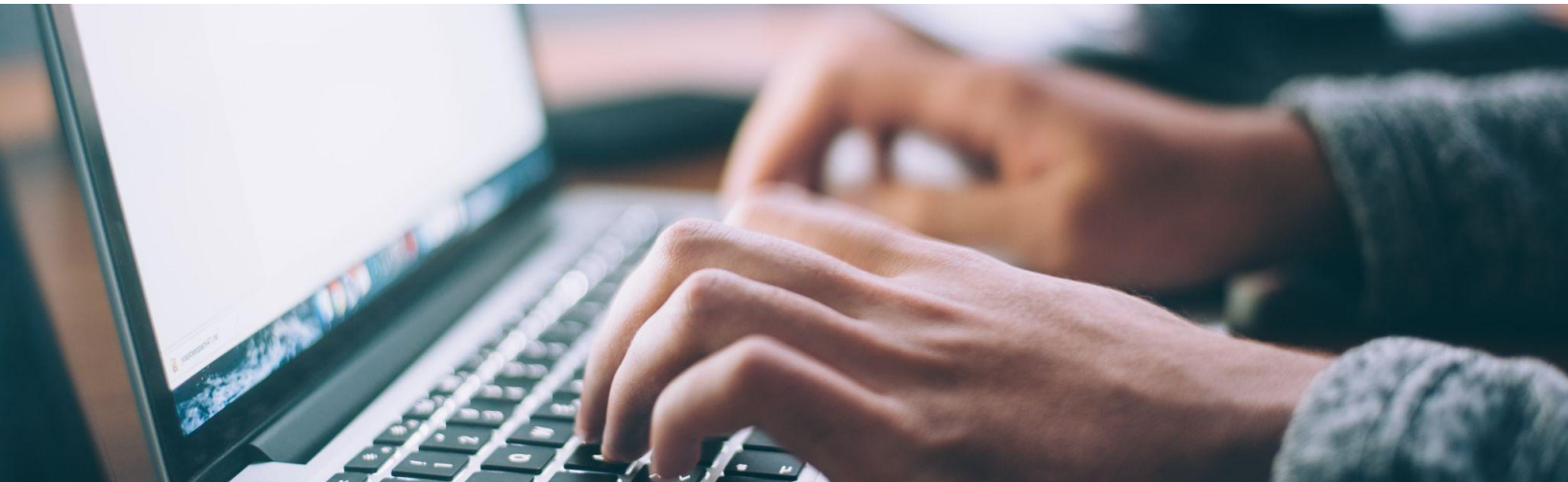
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Decentralized exchanges have a few benefits that tend to be lost in centralized exchanges.

DEXs offer anonymity	DEXs are more secure	DEXs have limited downtime
<p>A centralized exchange will collect key information from you, such as your bank account information, but a DEX runs purely on blockchain technology.</p> <p>In most cases you won't have to enter much more than a public address.</p>	<p>With a centralized exchange like Coinbase, there is one primary target that hackers can break into and access all the user's crypto.</p> <p>On a DEX, this isn't possible because control is not centralized in any one computer.</p>	<p>A decentralized exchange will never have any downtime in the event of a node crashing or coming under attack, because there are multiple nodes to backup the system and keep it going.</p> <p>On a DEX, multiple "nodes" verify the transactions</p>
DEXs have limited fees & regulations		

Decentralized exchanges are not yet under any government regulations that slow their progress, have no unnecessary fees, and transaction times tend to be faster.



#16. Two-factor authentication apps are more secure than SMS

If you're not already using [two-factor authentication \(2FA\) to invest in cryptocurrency](#) and protect your wallet, take this step today, especially if you're using a hot wallet or leaving your crypto on an exchange, as many day traders typically do.

And if you're really serious about protecting your cryptocurrency, then you should [consider ditching 2FA codes sent over SMS](#) and email. Instead, consider using an authenticator app such as Google's Authenticator app or Authy.

This is because it's easy for hackers to get into your email or even trick your phone carrier into redirecting your phone number to a new device, where they can take your SMS codes. For this reason, 2FA apps offer the best level of protection.



#17. Have fun diversifying your portfolio!

The last tip in this crypto due diligence checklist is to [diversify your portfolio](#).

Diversifying your portfolio is a good crypto investment strategy because it gives you an added layer of security and something to fall back on in the event one of your investments fails. Putting all your money into one crypto could potentially end up hurting your financial goals. With some careful planning and research, a diverse, balanced portfolio of investment for years to come.

What's next?

Use this crypto due diligence checklist for the best chance at success!

New crypto investors should learn the ins and outs of the market they're heading into and determine and prioritize their own investment and financial goals.

It can be overwhelming to jump in as a brand new investor, and it's important to do your research and analyze your own personal financial goals before starting.

About the author:

Jennifer Jones is a content writer who just recently started exploring the world of crypto. She loves learning about new things and breaking down complex ideas. Whenever she's not writing, she enjoys playing guitar and obsessing over her cats.

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Short description:

New to investing in crypto and don't know where to start? With the 17 tips in this crypto due diligence checklist there's no need to stress!

Long description:

If you're brand new to investing in crypto, it can be overwhelming to know where to start. Terms like blockchain, altcoins, decentralization, hot and cold wallets, and crypto exchanges can make you feel like you're in over your head. This crypto due diligence checklist will help you cover all your bases and get properly set up before you go in and purchase your first crypto! Read through the 17 tips in this checklist to develop an effective crypto investment strategy that you can use for financial success.