

Crypto beyond the crypt: What comes next?

Article

What's on our mind: As more consumers invest in [cryptos](#), a new issue is arising: It's difficult for beneficiaries to access these assets after the owner dies.

The challenge with cryptos: Crypto assets can be much harder to retrieve than traditional assets because of the way blockchains work.

To access and move crypto funds, one needs to know the private key: a random string of numbers and letters, much like a strong password. Crypto exchanges can only use private keys when they operate as **custodial wallets**, meaning they retain ownership of private keys—

as opposed to **non-custodial wallets**, where the user keeps the private keys. Some of the **largest** market players, like **Gemini**, and **Kraken**, offer custodial wallets, while **Coinbase** offers **both** custodial and non-custodial wallets.

This means that if the deceased used a non-custodial wallet provider and didn't take precautions to share their private keys before their death, beneficiaries are out of luck. For example, in 2018, when the founder of crypto exchange **QuadrigaCX** allegedly died, he took to the grave over **\$140 million** worth of crypto from investors, as he alone had access to the private keys.

What it means for the industry: We expect both fintechs and incumbents that offer crypto services to introduce solutions to this issue.

Coinbase, for example, already outlines steps the executor or family can take to access the deceased's cryptos. This process is simpler for users when Coinbase holds the private keys, which lets it directly transfer ownership.

Crypto firms that offer non-custodial wallets will likely add educational tools, raising user awareness that they must be proactive and take action to avoid locking away their crypto holdings forever from their beneficiaries. These actions could include sharing private keys within a will.

Finally, wealth managers at incumbents will need to understand the challenges of dealing with cryptos, which they are increasingly likely to encounter as part of their retirement planning services as more consumers globally invest in this emerging asset class.

Reasons US Former vs. Current Cryptocurrency Owners Have Purchased Cryptocurrencies, Feb 2021

% of respondents

Investing



Transaction



FOMO (fear of missing out)



■ Current

■ Former

Note: n=8,008 ages 18+

Source: PYMNTS.com, "Cryptocurrency Payments Report: How Consumers Want to Use It to Shop and Pay" in collaboration with BitPay, May 19, 2021

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