

Your DeFi Cheat Sheet

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DeFi, short for decentralized finance, lets you participate in financial activities like borrowing, lending and earning interest without banks or brokers.

It uses blockchain technology and smart contracts to automate everything.

There is a lot to keep in mind when navigating the DeFi space. Which is why I've put together this handy cheat sheet.

DeFi's Key Features

Peer-to-Peer: DeFi allows you to transact directly with others, cutting out middlemen like banks, brokers or even centralized crypto exchanges such as Coinbase.

Open and Accessible: DeFi can be used by anyone with an internet connection.

Transparent: All DeFi transactions are recorded publicly on a blockchain. While addresses can be anonymous, you can still see how liquidity is flowing across platforms and networks.

The Common DeFi Usage

Platforms — also called decentralized apps, or dApps — are the interfaces through which you can access DeFi features like ...

Market Making: This allows you to provide liquidity for traders on decentralized exchanges in exchange for a reward, usually a percentage of the transaction fees.

This is also called **staking** or **liquidity providing**.

Earning Interest: You can act as a bank directly to another DeFi user and loan out your crypto assets with interest.

Borrowing Funds: On the opposite side, you can also use your crypto as collateral to get a loan for other cryptocurrencies.

Trading Crypto: You can also swap cryptocurrencies on decentralized exchanges. This lets you cut out the higher fees often found on centralized exchanges. There are also far more cryptos supported on decentralized exchanges than on centralized ones.

And that brings me to my next point: why would we choose DeFi over centralized finance, or CeFi.

CeFi vs. DeFi Yield: Key Differences

While both CeFi — platforms like Coinbase and Binance, which are owned and operated by a single entity and can maintain custody of your assets

— and DeFi offer ways to earn interest on your crypto holdings, there are significant differences in terms of risk, control and potential returns.

Your DeFi MasterClass focuses exclusively on DeFi yields, and here's why ...

Yield Rates: DeFi generally offers higher yields compared to CeFi.

This is because to earn DeFi yields, you often have to be actively contributing to the thriving DeFi ecosystem (e.g., liquidity providing).

This is opposed to CeFi platforms like Coinbase, which typically offer staking rewards or yields from their own validation activities, resulting in lower returns.

Risk and Control: CeFi platforms act as custodians, holding your crypto on your behalf. This offers convenience but also exposes you to counterparty risk — i.e., the risk of the platform itself failing, being hacked or seized by regulators.

Just a few weeks ago, Coinbase had a glitch and hundreds of accounts incorrectly posted zero balances. I can't imagine the fear that sparked for any affected investors.

DeFi, on the other hand, gives you full control over your crypto, which offers an additional layer of security. The tradeoff is a bit more effort as you'll need to manage your own wallet and navigate the complexities of DeFi protocols.

Transparency: DeFi platforms leverage smart contracts — algorithms that enforce the terms of agreement of an action. Smart contracts are what ensure you get your DeFi rewards. And since smart contracts are built into the blockchain, they make the entire processes transparent and verifiable on the blockchain.

No one can take your staked crypto or pay you a lower yield than you're entitled to because the smart contract is verifiable and enforceable.

CeFi platforms lack the same level of transparency, with yields determined by their internal processes.

Important Things to Consider

Volatility: DeFi opportunities can use variable-price cryptocurrencies, or cryptos that can experience changes in price. And since crypto is notorious for its volatility, be prepared for price swings.

When staking, any dips in the underlying price of your staked asset can represent **impermanent loss** for those variable-price coins. In that case, you'll need to accurately calculate your rewards against any impermanent loss to make sure anything you earn offsets anything you may have lost.

Another solution is to make sure at least one crypto in your staking pair is a stablecoin, or a crypto pegged 1-to-1 to a fiat currency.

USD Coin (USDC), for example, is a stablecoin pegged to the U.S. dollar. This means its value should always be \$1, significantly reducing how much impermanent loss you'll need to worry about. using cryptocurrencies, which can be volatile.

Complexity: DeFi can be complex for beginners. Do your research on which platform you want to use and which network/blockchain your targeted opportunity is on.

To make sure you're fully prepared, be sure you've set up your CeFi onboarding ramp (a way to convert fiat into crypto) and your wallet — before you get start staking.

Security: Be cautious about the platforms and wallets you use, links that you click on and fake customer service scams. There is no such thing as being too smart to fall for a scam. Take your time to research each platform and link to make sure you can verify its legitimacy.

Getting Started

Choose a reputable DeFi platform: There are many DeFi platforms available, each with its own features. Research carefully!

Different platforms are built on different networks, meaning they'll have different fees and speeds of transactions. Some networks will also have more activity due to spikes in popularity. More activity means more fees generated and more yield for stakers.

When it comes to platforms themselves, not all are created equal. Some are large with high trading volume. Others are quite small.

You're looking for a happy middle. You want a platform that has enough liquidity to attract users, but a smaller number of liquidity providers to ensure you get a bigger piece of that reward for staking.

Some of our favorites are ...

- **Uniswap** – The largest DEX allows you to provide liquidity for pairs on **Polygon (MATIC)** and **Arbitrum (ARB)** networks.

Uniswap is built on the **Ethereum (ETH)** network. But its latest version, V3, also allows access to the above Layer-2 networks.

This gives you the best of both worlds — the size and stability of Uniswap while targeting pools on smaller networks that offer larger yields.

- **Orca** – This is the main DEX on the **Solana (SOL)** network. With very low fees on alternative blockchains and thriving Layer-2 ecosystems, Orca allows you to use the expensive Ethereum mainnet for DeFi opportunities.

Connect your crypto wallet: You'll need a non-custodial crypto wallet to interact with DeFi platforms.

For example, you can use MetaMask or Avocado wallet for Uniswap pairs on the Ethereum, Polygon and Arbitrum networks, or Phantom wallet for the Solana network.

Start small: Don't invest more than you can afford to lose. While that is always a sound investing strategy, the importance is emphasized in DeFi.

This is still a new and evolving space, and we are all DeFi pioneers. It's OK to start small and work your way up as you become more knowledgeable and comfortable in the space.

How to Identify Promising DeFi Opportunities

While the Annual Percentage Yield (APY) that's offered is a common way to pick a DeFi opportunity, it shouldn't be the sole factor.

Here's how to dig deeper:

Platform Transparency: Not all DeFi platforms prominently display APYs. You might need to rely on external analytics tools for this information.

It may be easier to start with platforms, like Orca or Uniswap, that have all APY information readily available.

Looking Beyond High APYs: Pools that offer extremely high APYs come with red flags.

As the old saying goes, “If it looks too good to be true, it probably is.”

Pools offering 4- or even 5-digit APYs may have a low total value locked (TVL). That suggests minimal investment and activity, either on the network, dApp or for that particular trading pair. Low liquidity also means potential instability.

Low trading volume also implies lower returns, as well as making entering or exiting your position difficult.

Focus on a Holistic View: For a more comprehensive picture, consider these factors in conjunction with APY:

- **TVL:** A higher TVL indicates a larger pool of funds and potentially lower risk.
- **Trading Volume:** Healthy trading volume suggests higher demand and more sustainable APYs.
- **Coin Fundamentals:** Research the fundamentals of the coins in the pair. Staking in pools featuring stronger coins means less risk exposure to impermanent loss.
- **Technical Analysis:** Identify price trends and set up price ranges, entry/exit points for your position.
- **Strategy:** Choose a suitable strategy based on your risk tolerance and goals.

By considering all these aspects, you can make more informed decisions when seeking DeFi opportunities.

Common Troubleshooting FAQs

1. Why isn't my transaction isn't going through?

There are several reasons why a transaction might get “stuck.” And it can be very frustrating.

Here are the common reasons why a transaction may not process and what you can do about it.

Slippage: Sometimes, quick price fluctuations — even in the short time it takes to set up a swap — can prevent your transaction from going through.

That difference between the value of the cryptos you put into the transaction and the current real-time trading price is called slippage.

Usually, the default slippage tolerance — a percentage difference between the expected and actual price — will be under 1%.

If your transaction gets stuck, try increasing the slippage tolerance in small increments until your transaction succeeds.

But please be aware that higher slippage tolerance allows for a larger price deviation and can potentially affect your returns.

Insufficient Funds: All transactions require you to pay gas fees. Think of them like a toll.

The currency you'll need to pay that toll in will depend on what platform you are using.

Most platforms will use the token of the network they are built on for gas fees.

Uniswap, for example, is built on the Ethereum network. As such, to transact on Uniswap, you'll need some ETH in your MetaMask wallet to cover transaction costs.

Orca, on the other hand, is a Solana-based platform. It settles transaction fees in SOL.

If you're unsure what token your chosen platform uses for fees, a quick look at their FAQs or a google search should give you your answer.

If you get a notification that you have insufficient fees, double-check that you have enough of the correct currency to cover both the swap amount and gas fees.

Gas Fee Too Low: Usually, we just pay the requested gas fee and go on our day.

But periods of heightened activity — like in the heart of a rally — means the networks can get congested easily. With everyone trying to transact at once, priority is given to transactions offering higher fees.

That means you could choose to increase the amount you're willing to pay in gas to boost the likelihood that your transaction will be processed and validated next.

Alternatively, you could wait for a period with lower network traffic.

Transaction Rejected: Ensure your wallet is connected to the DeFi platform correctly and that you've approved all necessary permissions.

2. Why isn't my crypto showing on my MetaMask?

It can be panic inducing to expect to see your latest crypto purchase in your wallet ... only to be greeted by an empty page.

But there are several reasons why your crypto may be hidden from you.

Wrong Network: MetaMask, while built on Ethereum, can support several networks so long as they have an Ethereum Virtual Machine. This includes networks such as Polygon and Arbitrum.

If you bought a crypto on one of these other networks, it may not show up if your MetaMask is only showing assets on the Ethereum network.

To switch between networks, simply click on the network icon on the top left of your MetaMask page. Your balance on your homepage may adjust based on what assets you have on the different networks.

Custom Token Not Added: MetaMask has a lot of pre-installed coins that it can recognize. These will be the largest and most popular. And while it can hold any Ethereum-compliant coin, smaller, newer and less common tokens may not be already recognized by your wallet.

As such, you might need to add them manually to MetaMask.

MetaMask has a quick and easy guide for how to do just that [here](#) under **Add a Custom Token**.

Incorrect Account: Verify you're on the correct account within MetaMask. You might have multiple accounts set up.

You can verify the account by clicking on the Account dropdown menu at the top of your browser extension. If you have multiple accounts, they'll be listed there, along with the unique corresponding address for each.

3. How do I avoid scam platforms?

I personally love how DeFi cuts out the middlemen and let you be the master of your own financial journey.

But the flipside of that freedom is you are now solely responsible for your financial safety. And that can feel daunting at times. Particularly when trying to find new DeFi opportunities.

Scams and bad actors aren't unique to crypto, but crypto scams can be very sophisticated. Even TV host John Oliver recently had a segment on how compelling pig butchering scams can be.

These seven tips have helped me stay focused and safe while navigating the crypto market, and they'll help you, too.

1. Don't Click on Random Links

Phishing scams often try to trick you into clicking malicious links. Never click on links from emails or messages with promises that are too good to be true.

Use common online safety steps — research the sender, look for errors or typos in the email or message, look at the domain for the link, google the message to see if similar scams have been reported — to weed out traps from bad actors.

2. Verify Information Directly

If you see an interesting DeFi platform mentioned somewhere, don't click on any embedded links. Instead, do your own research. Open a new browser window and search for the platform by its official name.

3. Check Website URLs Carefully

Scammers may create fake websites with URLs that look very similar to legitimate DeFi platforms. Be mindful of typos, extra characters, or different domain extensions (.com vs .org).

Even if you find the platform through an independent internet search, be sure to double-check the entire URL before connecting your wallet.

4. Look for Established Platforms

When starting out, consider using well-established DeFi platforms with a proven track record, like Uniswap or Orca, as suggested above.

These platforms are more likely to have undergone security audits and have a larger, active community.

5. Leverage Trusted Resources

Utilize reputable DeFi review websites — such as [DeFiSafety](#) or [DAPP Radar](#) — and communities on social media to discover platforms and learn about new projects. Look for resources with a strong reputation for unbiased information.

6. Bookmark Official Sites

Once you identify a legitimate DeFi platform you want to use, bookmark the official website in your browser. This way, you can easily access it directly without relying on links from other sources.

7. Disconnect Your Wallet After Use

Make a habit of disconnecting your wallet from any DeFi platform after you've finished your transaction. This minimizes the risk of unauthorized access to your funds.

We have a guide walking you through how to do this in your MetaMask wallet [here](#).

Keep this cheat sheet on hand, along with your MasterClass modules, as you continue on your crypto journey to help smooth your path.

Best,

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