CLIENT CONVERSATION KIT

Position Clarity.

Fiduciary Reference Guide

Tools, framings, and sources for a professional adviser holding a client conversation about crypto. Descriptive throughout. The judgment stays yours.

PREPARED FOR

Dana Okafor, estate lawyer. Working crypto knowledge, comfortable with exchanges and ETFs, building confidence on self-custody and DeFi. Cautious and open, wanting to spot risk early and stay credible with clients.

Canadian context . No advice, sources only . As of **July 2026**

You are the adviser of record. These are your tools.

This guide is built to make your client conversations sharper, not to put words in your mouth. It gives you phrases to listen for, plain explainers for the parts of crypto that come up least often in a law office, ways to turn a worried question into an answerable one, and a short list of sources you can cite and share. Everything here is descriptive. Nothing tells a client what to buy, sell, hold, or move, and nothing here is meant to be passed on as your verdict. It is meant to inform yours.

- **Section 2, Red flags,** is for the conversation itself. Keep it open while a client talks. When a phrase lands, you will know which pillar it touches and what to ask next.
- **Section 3, Talking points,** gives you correct, plain-language explainers for the topics flagged as least familiar to you, self-custody and DeFi, each with a one-line way to say it simply.
- **Section 4, Reframes,** helps you convert a vague worry into a structured question you and the client can actually answer together.
- **Section 5, Sources,** is what you cite and hand over. You share sources, so the client can read the primary material. You do not hand over a verdict.

THE BOUNDARY

You are the adviser of record. This guide carries tools and sources, never advice.

Position Clarity does not know your client, does not see valuations, and does not make recommendations. Where a passage looks like it is nearing a recommendation, read it as a question to carry back to your own judgment, your client, or the right specialist. The advice remains yours.

Plain phrases a client says, and what each one signals

These are things clients say in ordinary conversation. Each one is a signal, not a finding. It tells you which pillar to open and what to ask, so the client can bring the right facts to you or to a specialist. Flags marked **FOCUS** touch self-custody or DeFi, the two areas this guide leans into for you. None of these is a prompt to tell the client to act.

CONCENTRATION AND THIRD-PARTY RELIANCE

"It is all on one exchange."

Signals a single point of reliance. One venue holds everything, and everything depends on that company staying reachable, solvent, and serving the client's province. Worth asking whether that concentration is intended.

RECOVERY SELF-CUSTODY SINGLE POINT

"I have a hardware wallet, but the backup is in the same drawer."

Signals a recovery single point. If the drawer is lost to fire, flood, or theft, the device and its only backup go together. The question is whether a second copy exists somewhere separate, and whether a trusted person could find it.

TECHNOLOGY AND RECOVERY

"I moved it through a bridge."

Signals a technology and recovery step worth mapping. A bridge moves a holding from one network to another, often leaving a wrapped version behind. Ask which network it sits on now, and whether anyone else could follow that trail.

LIQUIDITY TAX OVERLAP

"I stake it for yield."

Signals a possible lockup and a tax question. Staked positions can be committed for a period, so they may not be reachable right away, and the rewards may be treated as income. Both are questions for the client to take to a CPA.

RECOVERY

THE HIDDEN WORD

"There is an extra password on top of the wallet."

Signals an optional passphrase, sometimes called the twenty-fifth word. Without it, the recovery phrase alone may not reach the holding. Ask only whether its existence is recorded somewhere a trusted person could find, never the value.

CUSTODY

SOLE KNOWLEDGE

"Nobody else even knows this wallet exists."

Signals a sole-knower gap, the strongest one for an estate file. If no other person knows a holding exists, no executor will find it. The question is whether a written trail exists that points to it without containing any secret.

TECHNOLOGY

DEFI CONTRACT EXPOSURE

"It is earning in a protocol, I think it is a pool."

Signals a DeFi position resting on a smart contract, not a plain holding. A pooled or lending position depends on code and on the client knowing how to operate it. Ask whether anyone else could reach or explain it.

LIQUIDITY

LIQUID STAKING TOKEN

"When I staked, I got a different token back."

Signals a liquid-staking token that stands in for the staked position. It is a separate asset with its own contract and its own way to unwind. Worth confirming the client knows how to convert it back and what the timeline is.

REGULATORY

VENUE JURISDICTION

"The exchange is offshore, I signed up years ago."

Signals a venue that may not be registered in Canada or may have restricted service to the client's province. Ask whether the account is still reachable and whether identity checks are complete, so a withdrawal would not be held up.

TAX

RECORDS AND DISPOSITIONS

"I have swapped coins plenty, but I never sold to cash."

Signals that dispositions may have occurred. In Canada, trading one crypto asset for another can be a disposition even without cashing out. The question is what records exist, and what a CPA would want to see.

REGULATORY

REGISTERED-ACCOUNT FIT

“I hold the ETF in my TFSA and the coins in my regular account.”

Signals a registered-account question. A crypto ETF on a designated Canadian exchange is generally a qualified investment for a TFSA or RRSP; a coin held directly is a different matter. Worth confirming what sits where and whether that matches intent.

RECOVERY

DEVICE DEPENDENCE

“It is all on an app on my phone.”

Signals device dependence. If the phone is lost with no separate backup of the wallet, the holding may be unreachable. Ask whether a recovery phrase for that app is written down and kept apart from the phone.

GOVERNANCE

VOTING AND DELEGATION

“I delegated my tokens so someone votes for me.”

Signals a governance position with a delegation trail. The tokens carry voting rights the client has handed to another party. Worth noting who holds the delegation and whether anyone knows how it would be handled if the client could not act.

CONCENTRATION

BACKUP SINGLE POINT

“Everything traces back to one recovery phrase.”

Signals that several wallets may share a single recovery phrase, so one backup carries the whole self-custody picture. Ask how many separate phrases exist and whether they are stored in separate places.

Plain, correct explainers, weighted to self-custody and DeFi

These are one-paragraph explainers you can hold in your own words, plus a line for saying each one simply. They are correct as general descriptions in a Canadian context as of July 2026. They are not advice, and none of them tells a client what to do. They exist so you can describe a mechanism accurately and then point the client to the right source or specialist.

Self-custody versus custodial

CUSTODY . RECOVERY

When a client holds crypto on an exchange or through an ETF, a company controls the keys and can help reset access through identity and an account. That is custodial. When a client holds their own keys, on a hardware or software wallet, no company stands behind it; access depends entirely on the client's recovery phrase and backups. Neither is better in the abstract. They fail in different ways, and they recover in different ways. The custodial path leans on a company; the self-custody path leans on the client's own records and on whoever the client has told.

> HOW TO SAY IT SIMPLY
>
> *With an exchange, a company can help you get back in. With your own wallet, only your backup can, so the backup is everything.*

Recovery phrase and backup separation

RECOVERY

A recovery phrase, usually twelve or twenty-four words, is the master backup for a self-custody wallet. Anyone with the phrase can reach the holding, and anyone without it cannot, which is why it is never shared or stored online. The practical risk is not complexity, it is placing the only copy next to the device or in a single location. If that one place is lost to fire, flood, or theft, the holding goes with it. The useful structure is more than one copy, kept in separate places, with a trusted person able to learn that a backup exists and roughly where, without ever seeing the words.

> HOW TO SAY IT SIMPLY
>
> *Keep the words, and keep a second copy somewhere else, so one bad day in one room does not lose everything.*

Staking and liquid staking

TECHNOLOGY . LIQUIDITY . TAX

Staking commits a holding to help run a network, and in return it earns a reward. The committed amount can be locked for a period, so it may not be reachable right away, and there is often a wait to unstake. Liquid staking is a variation: when the client stakes, they receive a separate token that represents the staked position and can move while the original stays locked. That token is its own asset, with its own contract and its own way to unwind. Rewards from staking may be treated as income in Canada, which is a question for a CPA, separate from any later disposition.

> HOW TO SAY IT SIMPLY
>
> *Staking is like locking money in for a set time to earn a return. Liquid staking gives you a placeholder token you can use while the rest stays locked.*

Bridging and wrapped assets

TECHNOLOGY . RECOVERY

Different crypto networks do not talk to each other directly. A bridge is the tool that moves value from one network to another. Often what arrives on the other side is a wrapped version, a token on the new network that stands in for the original. The practical point for an adviser is that a bridged or wrapped holding may live on a different network than the client assumes, may depend on the bridge's own contract, and may take an extra step to trace. For an executor, that extra step matters: the trail has to name the network the holding actually sits on now.

> HOW TO SAY IT SIMPLY
>
> *A bridge moves a coin from one network to another, and often leaves you holding a stand-in version, so we should note where it really lives now.*

Registered-account fit, TFSA and RRSP

REGULATORY . TAX

Whether crypto exposure can sit inside a registered account depends on the form it takes. A spot crypto ETF listed on a designated Canadian exchange is generally a qualified investment for a TFSA or RRSP, so it can be held in a registered or a non-registered account. A coin held directly in a personal wallet is a different case and is generally not a qualified investment for those accounts. This is a fit question, not a recommendation. The CRA folio on qualified investments is the primary source, and a client's own advisor or accountant is the place to confirm the specifics.

> HOW TO SAY IT SIMPLY
>
> *A Canadian-listed crypto ETF can usually go in a TFSA or RRSP. A coin in your own wallet usually cannot, so where each one sits matters.*

Turn a worried question into one you can answer together

A client's first question is often too broad to answer well. Reframing it into a structured, factual question moves the conversation from worry to something you and the client can actually work through, and it points to the facts a specialist would need. Each reframe below keeps the client's concern intact and makes it answerable.

CLIENT ASKS		ANSWERABLE AS
Is my crypto safe?	→	Who can reach each holding today, and could a trusted person follow the trail if you could not?
What happens to this when I die?	→	Does your executor know these holdings exist, and is there a written trail to each one that contains no secret?
Am I going to get taxed on this?	→	Which of your past moves might count as a disposition, and what records would your accountant want to see?
Is this too risky?	→	Is there one holding, one venue, or one backup that, if it went wrong, would affect the largest part of this?
Should I be worried about that DeFi thing?	→	Which of your holdings rest on a smart contract rather than plain holding, and could anyone besides you operate them?
Can I get my money out fast if I need it?	→	For each holding, how quickly could it be reached, and is any of it locked, staked, or committed for a period?

CLIENT ASKS		ANSWERABLE AS
Did I set this up right?	→	Is the current picture close to how you intend it, and if not, where has it drifted from your intent?

What you cite and hand over, not a verdict

This is a reference list you can cite in a conversation and share with a client afterward. You are handing over primary material, so the client can read it and bring questions back to you or to a specialist. You share sources, not verdicts. Tax and regulatory items are dated, because their treatment can change.

CRA crypto-asset guide CANADA REVENUE AGENCY . AS OF JULY 2026	**Good for** the general Canadian tax treatment of crypto: that the CRA treats it as a commodity, and that a disposition, selling, trading one coin for another, or spending it, can create a capital gain or business income. The starting point for any tax question a client raises.
CRA Folio S3-F10-C1, qualified investments CANADA REVENUE AGENCY . AS OF JULY 2026	**Good for** whether a holding can sit inside a TFSA or RRSP. It is the primary source behind the point that a Canadian-listed crypto ETF is generally a qualified investment while a directly held coin generally is not. Cite it for registered-account fit.
Position Clarity Decoded, quarterly ASSET-LEVEL DUE DILIGENCE . DESCRIPTIVE BANDS, NO ADVICE	**Good for** a neutral, dated read on the top crypto assets, presented as descriptive bands rather than ratings or price calls. When a client names an asset you want to understand at a due-diligence level, Decoded is the reference to reach for. It describes, it does not recommend.
Primary protocol documentation EACH NETWORK'S OWN DOCS AND WHITEPAPER	**Good for** how a specific asset actually works: the Bitcoin whitepaper for proof of work, the Ethereum Foundation docs for proof of stake and smart contracts, and each network's own documentation for staking, bridging, and governance mechanics. The most authoritative description of a mechanism is the protocol's own.
Canadian securities administrators, registered platforms CSA . AS OF JULY 2026	**Good for** checking whether a trading platform a client names is registered to operate in Canada, and whether it has restricted service to any province. A useful reference when a venue sounds offshore or dormant.

> Every item above is something to read, not a conclusion to repeat. When you share a source, you are giving the client a way to understand the ground for themselves and to bring you a sharper question. The reading is theirs. The advice remains yours.