

# DEFI CHEAT SHEET



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# *Your DeFi Cheat Sheet: Navigating Permissionless Finance Simply*

LENDING, BORROWING, STAKING, AND SWAPPING  
WITHOUT THE MIDDLEMAN

Tired of complex financial jargon and opaque systems that don't serve you? DeFi (Decentralized Finance) flips the script, giving you direct control over your finances without needing banks or brokers. This cheat sheet breaks down the core concepts so you can understand the tools that are reshaping wealth management.

## WHAT IS DeFi?

### Definition

Financial services built on blockchain technology, removing traditional intermediaries like banks.

### Core Idea

Open, permissionless access to financial tools for anyone with an internet connection.

### Key Principles

"Be your own bank" – You control your funds and interact directly with protocols.

## CORE DEFI ACTIVITIES

### Lending & Borrowing:

- How it works: Deposit crypto assets into a protocol to earn interest (lending). Or, use your crypto as collateral to borrow other assets (borrowing).
- Benefit: Often higher interest rates for lenders, and access to liquidity without selling assets.
- Example: Deposit USDC on Aave to earn interest, or borrow DAI using ETH as collateral.

### Staking:

- How it works: Lock up certain crypto assets (often those used in Proof-of-Stake blockchains) to help secure the network and validate transactions.
- Benefit: Earn rewards for participating in network security.
- Example: Stake ETH to support the Ethereum network and earn staking rewards.

### Swapping:

- How it works: Exchange one cryptocurrency for another directly on a decentralized exchange (DEX).
- Benefit: No need for a centralized exchange account; trade peer-to-peer.
- Example: Swap ETH for USDC on Uniswap.

### Liquidity Providing (LP):

- How it works: Add equal value of two tokens to a liquidity pool on a DEX. You receive LP tokens representing your share.
- Benefit: Earn trading fees from swaps that happen in that pool, plus potential token rewards.
- Risk: "Impermanent Loss" – the value of your deposited tokens can fluctuate compared to just holding them.

## STABLECOINS (USDC, DAI)

### What are they?

Cryptocurrencies pegged to the value of a stable asset, usually the US Dollar.

### Benefits:

- Reduced volatility compared to other crypto assets.
- Useful for trading, lending, and holding value within DeFi protocols.

### Risks:

- Counterparty risk (trust in the issuer for fiat-backed coins like USDC).
- Algorithmic risks (for algorithmic stablecoins like DAI).

### Strategy:

Use stablecoins as a bridge between volatile assets or as a base currency in DeFi protocols.

## KEY CONSIDERATIONS

- **Security:** Smart contracts can have bugs. Research protocols thoroughly.
- **Volatility:** Non-stable crypto assets are highly volatile. Manage risk carefully.
- **Gas Fees:** Transactions on blockchains like Ethereum incur fees.
- **Self-Custody:** You are responsible for your private keys. Loss means permanent loss of funds.

## Quick Reference Table:

ACTIVITY	PURPOSE	KEY BENEFIT	KEY RISK
Lending	Earn interest on crypto	Passive income potential	Smart contract risk
Borrowing	Access liquidity without selling	Keep exposure to collateral	Liquidation risk
Staking	Support network & earn rewards	Direct participation rewards	Lock-up periods, slashing
Swapping	Trade crypto assets	No KYC, peer-to-peer	Slippage, MEV
LP (Liquidity)	Earn fees from trading activity	Trading fee income	Impermanent loss

## CONCLUSION & CTA

DeFi opens up a world of financial possibilities, but it requires a clear understanding of the tools and risks. Use this cheat sheet as your starting point, and always do your own research (DYOR) before participating.

### Call to Action:

- **Download Our Full DeFi Guide:** Get a deeper dive into protocols and strategies.
- **Join Our Community:** Discuss DeFi trends and ask questions with like-minded entrepreneurs.
- **Subscribe for Updates:** Stay informed about new DeFi opportunities and risks.