AN ALDERLUX GUIDE

If Someone In Your Family Holds Bitcoin And You Don't Know How To Reach It

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Inheritance asks two separate questions: who owns an asset, and who can actually reach it. A will answers the first. For Bitcoin held personally, nothing answers the second unless somebody has arranged it.

IN BRIEF

- Legal ownership and technical access are different things. Settling the first does not produce the second.
- The first question to answer is whether the asset is held with a company or held personally. The two need completely different preparation.
- An estate can owe inheritance tax on Bitcoin the executors are unable to reach.
- Three conditions — awareness, access, separation — address the central failure mode. This issue sets out how to check all three in one conversation.

The pattern runs like this. One person in the household set the Bitcoin up years ago, has explained it once or twice, and assumes everyone else knows more than they do. Everyone else assumes it is handled.

Both assumptions can be wrong at once. And before anything else, there is one thing to establish, because the two possibilities have almost nothing in common.

Held with a company. An exchange or custody provider holds it, in an account, in someone's name. This behaves much more like a bank: it is generally dealt with through the provider's own estate process, with paperwork, verification and — depending on the provider, the jurisdiction and the account itself — potentially significant delay. An institution exists, which is the point.

Held personally. Nobody holds it on your behalf. Control rests with whoever has the recovery information — in practice, a sequence of words written down somewhere. Arrangements can be more sophisticated, requiring several people or several approvals. But control follows the credentials, not the paperwork.

If you learn only one thing, learn which of these it is. Everything else follows from the answer, and the two situations need completely different preparation.

This is what catches families out. Inheritance law decides who owns an asset. It does not, by itself, make an asset reachable. A court can rule that Bitcoin belongs to you, an executor can be entirely within their rights to claim it, and the coins can still sit permanently beyond anyone's control because the credentials went with the person who set it up. Legal ownership and technical access are two different things, and conventional estate planning is very good at the first and was never designed for the second.

Nobody knows how much Bitcoin has been permanently lost this way. The public ledger shows coins that have not moved in many years, but it cannot say whether the owner has died, lost their records, or simply chosen not to touch them. The cases that do surface are domestic rather than dramatic — a house move, a discarded device, a note nobody else knew existed.

None of that is an argument against owning it. It is an argument for knowing where you stand.

What you actually need to establish

Not the amount, at first. Five practical facts.

That it exists, and roughly how significant it is relative to everything else the family owns. A rounding error and a third of the estate call for different levels of urgency.

Where it is held — with a company, personally, or split between both. Check for both. The smaller holding is the one people forget.

Whether anyone else can reach it. Not in principle. In practice, today, without asking the person who set it up.

Whether it appears in the will, and whether the will actually does anything useful. A will can say who inherits it. It cannot make it reachable. And recovery words should never go into a will, or any document that other people may one day read — the rule is simply that credentials never live anywhere the asset itself is described.

Whether there is a tax bill attached. In the UK, cryptoassets generally form part of an estate and are assessed for inheritance tax like other property. The trap is that the liability follows ownership while the ability to pay follows access — so an estate can owe tax on Bitcoin the executors cannot reach, and may have to find the money elsewhere. Treatment depends on circumstances and is a question for a solicitor, ideally before it is a live one.

How to raise it without it becoming a row

This is the part people get stuck on, and the obstacle is not money. Asking can feel like admitting you don't understand something, or like enquiring about somebody's death, or like implying they have done it badly. So it gets postponed indefinitely.

What works is making it about the household rather than about them, and about a practical gap rather than a criticism.

"If you were in hospital for a fortnight, is there anything I wouldn't be able to get to?"

"I don't need to understand how it works. I just need to know what I would do if you weren't here to ask."

"Is this written down anywhere our solicitor would find it?"

Notice what none of those do. They don't ask how much there is, they don't suggest anything has been done wrong, and they don't require you to know any terminology. They ask about a plan. In our advisory work the holder has usually worried about exactly this already, privately, and is relieved to have it raised.

If the answer is vague, that is not evasion. It means the person has been meaning to sort it out and hasn't.

What “sorted” looks like: the Alderlux Access Test

You do not need to become an expert, and you do not need access yourself. Three conditions are enough to move a family from exposed to protected, and they are easy to check.

Awareness. Somebody other than the holder knows the asset exists, and roughly how significant it is.

Access. At least one other person could actually reach it if the holder could not be asked — through instructions that are written down and physically findable, not memorised and not held only on a phone.

Separation. Discovering that instructions exist does not, by itself, hand somebody the money. The instructions, the asset and the will are kept apart.

All three, and the central failure mode has been addressed. Any one missing, and it hasn’t. That is the whole test, and you can run it in a single conversation.

How the three are arranged properly — sealed instructions, split copies, several approvals required, a solicitor holding one part — depends on the family and the amounts involved. But the arrangement is the easy half. Knowing which of the three you are missing is the half that gets skipped.

One warning, and it matters

People who suddenly need help reaching cryptocurrency are targeted deliberately. Treat any firm advertising “recovery services” to bereaved families as fraudulent unless you have independently verified it through a channel you found yourself, and note that the approach can arrive within days of a public death notice.

Nobody legitimate ever needs your recovery words. Not a support desk, not a lawyer, not a recovery firm, not us. Anyone who asks for them is stealing from you, and once they are sent the money is gone and cannot be returned.

The View From The Edge

Estate planning has spent centuries solving one problem: making sure the right person ends up owning the right thing. It is very good at it. Wills, probate, executors and trusts are all machinery for settling ownership when the owner is no longer available to be asked.

Self-custodied assets introduce a second problem that machinery was never built for. Ownership can be settled perfectly and the asset can still be unreachable, because reaching it depends on information rather than authority. No court order produces a recovery phrase. No executor can compel a device to open.

This is not a flaw in Bitcoin. It is the direct consequence of the property that makes it worth holding — that no institution stands between you and it. You cannot have an asset nobody can freeze or seize and also have an asset somebody can retrieve on your behalf. Those are the same property, viewed from two different days.

Which means the work is not technical, and it is not legal either. It is domestic. Somebody has to know it exists, somebody has to be able to reach it, and finding that out must not itself be the thing that loses it. Three conditions, none of which require anybody to understand cryptography, and all of which go undone because the conversation feels awkward for about ninety seconds.

This does not happen because families are careless. It happens where one person understood it, meant to write it down, and assumed there was time.

Basis and limits

This issue draws on patterns observed in advisory work and on the public record. It is not a measured study, and nothing in it is presented as a measured finding: no figure is given for how often families are exposed, because that figure is not knowable from the ledger and we have not measured it. Where the text describes what people typically do, read it as a pattern we have seen rather than a rate we have established.

The tax position stated is general and current to the date of this issue. Treatment depends on individual circumstances and changes.

Alderlux advises families on Bitcoin custody and succession, so we have a commercial interest in this problem being taken seriously. The Access Test above is deliberately something you can run without us. If you find you are missing one of the three and want the arrangement built properly, that is what Succession exists for.

Inheritance, tax and estate matters depend on individual circumstances and should be discussed with a qualified solicitor or tax adviser.

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