How to Build an Exit Strategy

Most crypto plans stop at the buy. Here is how to write the other half — the three exits every position needs, what you are selling into, and when you are allowed to change your mind.

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Almost everyone who buys crypto has a thesis for buying it. Far fewer can say, in a sentence, what would make them sell. That gap is where most returns are lost — not in choosing the wrong asset, but in holding the right one through a full round trip because no condition for leaving was ever written down. An exit strategy is the missing half of the plan: a small set of pre-decided conditions that convert selling from an emotional act performed under pressure into an administrative one performed on schedule. This report is about writing that plan. The order that executes it is covered in how to set a take profit; the portfolio- and cycle-level version sits in our portfolio construction and exit report.

AT A GLANCE

WHAT IT IS	THREE EXITS	WRITE IT
Written conditions for selling	**Invalidation, target, need**	**Before you enter**
KEY QUESTION	COMMON FORM	CRYPTO TWIST
Exiting into *what*?	**Partial exits, not all-or-none**	**Exit liquidity, tax, no close**

01

An exit strategy is not a price

The first correction is definitional. An exit strategy is not a number you hope to see printed on a chart. It is a written set of *conditions*, each paired with an action, decided while you are calm and consulted when you are not. “I will sell if it doubles” is a wish. “I will sell a third if it doubles, a third if the weekly trend breaks, and all of it if the protocol's revenue falls for two consecutive quarters" is a strategy, because every branch is specified in advance and none of them requires you to be clever in the moment.

The purpose is not to predict the top. Nobody does that reliably, and a plan built on the assumption that you will is a plan that fails by design. The purpose is to guarantee that *some* decision executes, on a rule, before the position gives back what it made. A mediocre exit plan followed consistently beats a perfect one improvised badly, every time.

02

The three exits

Every position needs answers to three different questions, and most people conflate them into one and then wonder why their plan jams.

The **invalidation exit** asks: what would prove the reason I bought this was wrong? This is the thesis-level stop, and it is not a price so much as a fact — a broken assumption, a failed upgrade, a team departure, a level that was supposed to hold and did not. The **target exit** asks: what does success look like, and what will I do when it arrives? This is the profit side, and it is the one traders spend all their time on and investors almost none. The **needs exit** asks: what would make me sell for reasons having nothing to do with the asset? A house deposit, a tax bill, a job loss, a better opportunity elsewhere, or simply the point at which the position has grown so large it keeps you awake. This third exit is the one almost nobody writes down, and it is the one most likely to be triggered in real life.

Write all three, for every meaningful position. If any of them is blank, the position is not fully planned — and the blank one is where the improvisation will happen.

03

Write it before you enter

The sequencing matters more than the content. An exit plan authored before entry is an assessment; one authored after entry is a negotiation with a position you already own, conducted by someone with an emotional stake in the answer. The moment you are long, every piece of news becomes evidence for holding, and the level you would have called invalidation looks, from the inside, like an overreaction.

So make it a precondition of entry: no position without its three exits recorded somewhere you cannot quietly edit — a journal, a note, a spreadsheet with a timestamp. Include the size of each exit, not just its trigger, since "sell some" is the most common way a plan dissolves under pressure. And be explicit about the do-nothing case: the conditions under which you will hold through a drawdown without acting are as much a part of the strategy as the ones that make you sell.

04

Exiting into what?

Here is the question most crypto exit plans never ask, and it is the one that decides whether the exit was real. Selling a token for another token is not an exit — it is a rotation. You have changed which asset you are exposed to, not whether you are exposed. A plan that says "take profit at the top" and executes into a different altcoin has, in practice, taken no profit at all; it has merely swapped seats on the same ride.

So the plan needs a destination, and the choice carries consequences worth stating plainly. Exiting into a stablecoin removes market exposure but keeps you inside the crypto system and inside that issuer's and venue's risk. Exiting into bitcoin is a bet on relative performance, not a de-risking. Exiting to bank fiat is the only version that fully leaves, and it is the one with the most friction — withdrawal limits, banking rails, and in most jurisdictions a taxable disposal at the moment of sale, sometimes triggered even by a crypto-to-crypto swap. Decide the destination when you write the plan, and if the destination is fiat, know the route out before you need it. An exit you cannot actually settle is a theoretical one.

> *Unrealised gains are a story your portfolio tells you. Only the exit turns that story into money — and the exit you never wrote down is the one the market writes for you.*

05

All at once, or in pieces

Few good exit plans are all-or-nothing, because a single decision has to be exactly right and the cost of being wrong runs in both directions — sell early and you watch it run without you, sell late and you give it back. Partial exits soften that by spreading the decision, and they come in a few familiar shapes.

The most psychologically durable is recovering your cost: selling enough on strength to take your original stake off the table and letting the remainder run as house money. It is not mathematically special — the remaining position is worth exactly what it is worth, whatever you paid — but it removes the fear of a round trip to zero on your own capital, and that is often the difference between holding a winner and panicking out of it. Others scale out at successive levels, or set a trailing rule that lifts the exit as price rises so the trend, rather than a fixed target, decides the timing. Each has the same trade-off: partial exits guarantee you will neither catch the exact top nor miss it entirely. If you cannot tolerate being partly wrong in both directions, no exit method will suit you.

06

When you are allowed to change the plan

A plan you may revise at will is not a plan, but one you may never revise is a superstition. The workable line is about *what* justifies the change. New information about the asset — a shipped upgrade, a regulatory decision, a change in revenue or supply schedule — is legitimate grounds to rewrite the thesis and therefore the exit. Price alone is not. “It went up more than I expected, so my target must have been too low” is the single most expensive sentence in investing, and it is how a disciplined exit becomes a permanent hold.

Two habits keep this honest. First, write the revision down alongside the original, with the reason and the date, so the record shows whether your plans improve or merely follow price. Second, prefer scheduled reviews to spontaneous ones — reassessing on a set cadence rather than in the middle of a violent move means the decision is made by the version of you that is not currently watching a candle form.

07

Position exits and portfolio exits

Everything so far concerns a single position, but exits also operate one level up, and the two are easy to confuse. A portfolio-level exit is about total exposure: reducing how much of your net worth sits in crypto at all, usually as a function of the cycle rather than of any one asset's thesis. That decision belongs with your target allocation and is handled by trimming and rebalancing back to weights rather than by liquidating positions outright — a distinction worth keeping, because rebalancing sells strength mechanically while an exit sells it deliberately.

The practical implication is that you can be simultaneously right to hold an asset and right to reduce it. A position can retain a perfectly intact thesis while having grown into a share of your portfolio you never intended to carry. Selling in that case is not a verdict on the asset; it is a verdict on the concentration — and knowing which of the two you are acting on keeps the plan coherent when both are true at once.

08

Why crypto makes exits harder

Four frictions specific to this market deserve planning for. The first is liquidity on the way out: the depth that let you build a position quietly may not be there when you unwind it, and on smaller tokens a large exit moves the price against you — the reason a plan should be sized against the book you will actually sell into, not the one on the screen today. The second is that the market never closes, so there is no session end to force a decision and no natural moment to review; exits must be triggered by rules or resting orders, because "I'll watch it" is not available around the clock.

The third is narrative pressure. Crypto communities reward conviction and treat selling as betrayal, which makes a written plan a defence against a social environment engineered to prevent you from executing it. The fourth is settlement and tax: disposals are usually taxable events, often including swaps between tokens, and the cash you meant to realise can be delayed by withdrawal limits, venue outages during exactly the volatility that triggered your exit, or banking rails that move slower than the market does. None of this argues against exiting. It argues for deciding the whole path — trigger, size, destination, route to cash — while nothing is happening, which is the only time such decisions are ever made well. Whether you should be trading these decisions at all, or holding through the cycle, is a prior question we take up in trading versus holding.

> *"To every thing there is a season, and a time to every purpose under the heaven: a time to plant, and a time to pluck up that which is planted."*
>
> ECCLESIASTES 3:1–2

Methodology & Sources

This report describes how to construct an exit plan; it contains no price targets, allocation percentages, cycle timing calls, fee, slippage, or tax rates, all of which depend on the asset, venue, jurisdiction, and market regime and are stated only in direction. The three-exit framing — invalidation, target, and needs — is an organising device for planning, not a claim about optimal returns. Partial exits, including recovering cost basis, are presented as behavioural aids with no mathematical advantage over an equivalent single exit. Tax treatment of disposals, including crypto-to-crypto swaps, varies by jurisdiction and is general information rather than advice. For the order mechanics that execute a target, see how to set a take profit; for exits at portfolio and cycle level, see portfolio construction, exit strategy and rebalancing.

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