

October 2016

Dear Clients and Friends:

Last year I decided to check out LifeLock. The company offers three protection plans against identity theft, with a monthly cost ranging from \$9.99 to \$29.99. I took the cheapest option, which does not monitor bank accounts or investments.

The \$9.99 “standard plan” alerts you if they find someone is trying to steal your identity. It also reimburses you up to \$25,000 for stolen funds, and pays as much as a million dollars to hire experts to help with your recovery. Other benefits include lost wallet protection and a reduced flow of pre-approved credit card offers.

After a year of coverage, here’s what I found. LifeLock sent me a quarterly newsletter, giving advice about how to reduce the chance of identity theft. I wasn’t surprised there was no other communication. They’re not going to pick up the phone and say, “All clear this month.” From the customer’s standpoint, you have to trust they’re doing a good job of monitoring all your credit accounts.

In the end, I decided to put a security freeze on my credit files, and canceled my LifeLock subscription. Here’s my thinking. If someone makes a fraudulent charge on one of my credit or debit cards, I have no liability if the transaction is made over the phone or on the internet. Even if my physical card is used at a store to make a purchase, I’m only liable for up to \$50, assuming I report the lost card to the issuer within two days after I discover it’s missing. No one loses sleep over a \$50 loss.

What if My Credit Card is Stolen?

- Call the credit card company right away.
- Phone number is on your statement.
- By law, you are not responsible for more than \$50 of unauthorized charges.



A fraudulent check cashed against my bank account is a temporary hassle, but LifeLock can't prevent that anyway. My bank will ask me to sign an affidavit that the signature was forged, and in a week or so the money will be back in my account.

With those possibilities covered, what's the big deal about identity theft? When we read horror stories about victims trying to put their lives back together after their identities have been stolen, how does that happen?

The most common reason by far, is that someone *pretends to be you and obtains credit using your name and personal information*. They create a large amount of indebtedness to credit card companies or other lenders, and you're on the hook. It may take months or even years to prove it was someone else who borrowed the money, and not you. You can make it very unlikely any of that will ever happen. Simply place a security freeze on your account at all three of the credit reporting agencies: Experian, Equifax and TransUnion.

A security freeze, sometimes called a "credit freeze," can be easily done online. For California residents, it's either free or costs \$5 or \$10, depending on the credit bureau and your age. Fees in other states may vary. You create a user name and password for each agency, and they assign you a PIN (personal identification number). Your credit reports are then frozen. It will be hard for anyone, including you, to borrow money in your name from a bank or other lender, or to obtain a credit or debit card. You've more or less closed the door against any serious identity fraud, on a permanent basis.



Obviously there's a downside, or everyone would be putting their credit on ice. When you want to open a new credit account, buy a cell phone, or sign up for service with SDG&E, and those are only a few examples, you'll need to lift the security freeze.

That sounds like a pain, but it's pretty easy. You ask the company you're dealing with which credit agency they're going to use -- let's say it's Experian. You can call Experian or go online, where you'll be asked to provide your PIN and other information to prove it's you. If there's a fee, it won't be more than \$10, which you can pay with a credit card. Experian then lifts your security freeze for that particular company, and you complete the transaction.

You also have the option of completely lifting your security freeze for a specified period of time. That's what you would do if you're moving, and you need to set up a number of services at a new residence.

This solution works best for older adults and people whose lives are settled. I froze my own credit a year ago, and have only had to lift the freeze once. It took me less than ten minutes on Experian's website.

Consumer Action, a non-profit consumer rights group, says "there's no better tool than a credit freeze" for anyone who's extremely concerned about the prospect of identity theft. If you'd like to talk about whether this is the right solution for you, just give me a call.

Regards,

A handwritten signature in blue ink that reads "Chuck". The signature is written in a cursive, slightly slanted style.

Charles M. Shackelford