



KORBITZ FINANCIAL PLANNING

Your goals. Your plan. Your terms.

Identity Theft and Freezing Your Credit

I recently got an email from an Identity Monitoring Service that I have (free, as my information was released as part of a prior data breach) advising me that my Social Security Number and phone number were both found on the Dark Web. [If you are not familiar with the Dark Web, it is a part of the internet where illegal and unseemly things go on. Think drugs, sale of stolen information, and worse.] I did some research and found out that there had been a massive data breach earlier this year involving a company called National Public Data (NPD). NPD is a “background check business” that collects data on individuals. The breach was reported to have released millions if not billions of pieces of information on individuals both living and dead.

I found a site where I could do my own search of the Dark Web to see if my information was out there and it confirmed what the ID Monitoring Service had told me. I decided to both put a fraud alert on my account and freeze my credit, and that of my wife. The process took all of 30 minutes for the two of us. I am now recommending that all clients freeze their credit, with these caveats. Freezing your credit will mean that you need to “thaw” your credit every time you need to use it. Using your credit could involve buying a new house or car, but could also come into play if you get a new cell phone, or want to co-sign a loan or lease with your child. That said, I think that the time to thaw your credit will pale in comparison to the time you will spend if you find that your identity has been stolen. You may wish to wait to freeze your credit if you are in the process of buying a new home, purchasing a new car, or guaranteeing a loan for a child.

The first step that I took, and that you can take, is to set a fraud alert with one of the credit bureaus (Experian, Equifax, TransUnion and Innovis.) This tells them that you are concerned about your information and that they should notify you if they get a suspicious inquiry. You only need to set up a fraud alert with one credit bureau as they will share it with the other two. Simply contact one of the major credit bureaus, set up an account, and request a free fraud alert.

So, what is “freezing your credit?” You are basically telling the credit bureaus (the people who lenders contact to see if you have good credit) to NOT give out any information about you to anyone UNLESS you thaw your credit.

P.O. Box 170049 | Milwaukee, WI 53217 | Phone: 414-979-1040

KorbitzFinancialPlanning.com

The three largest credit bureaus in the US are Experian, Equifax and TransUnion. The process of freezing your credit is similar for all three. Basically, you need to go to their website and:

- Set up an account
- Prove that you are who you say you are (through a series of multiple choice questions about loans you have taken out during your lifetime, addresses you have lived at, etc.)
- Instruct the credit bureau to freeze your credit

The fourth and smallest credit bureau, Innovis, has a more simplified method of freezing your credit. You need the account you set up with each credit bureau in order to thaw your credit, so be sure to keep the username and password that you set up for each credit bureau. You will need to thaw your credit each time that you enter into a transaction that will require a check of your credit. You may only need to thaw one credit bureau, so ask your lender who they will be using to check your credit.

It is wise to periodically take a look at your credit report. You can do this for free if you start at the Federal Trade Commission's website at AnnualCreditReport.com. Again, this is a free service and allows you to get ONE free credit report per year from EACH of the three major credit bureaus. If you have a paid credit monitoring service you may have access to this on a more frequent basis.

I generally do not recommend signing up for paid credit monitoring services. I feel that if you freeze your credit, periodically review your credit reports, and quickly respond to suspicious credit activity, that you do not need a paid service. If you get a credit monitoring service as part of membership you already have (for example, AAA) or you are offered credit monitoring because your information was leaked in a breach, you should sign up for that free monitoring. Finally, if you would sleep better at night knowing that you have a paid service watching out for you, then go ahead and subscribe to one.

I hope you find this information helpful. Please feel free to share it with family and friends.

Eric
Eric S. Korbitz CPA/PFS, CFP®