

Credit Cards and Identity Theft

“I know a baseball star who wouldn't report the theft of his wife's credit cards because the thief spends less than she does.” ~Joe Garagiola

Several months ago I received one of those letters in the mail that my mortgage company had lost personal data for around 10,000 of their clients and, according to federal law, they have to notify every one of their clients and offer a credit monitoring service to everyone, not just the people who's records were lost. I decided to sign-up for their free year of credit monitoring partly out of professional curiosity. As a financial advisor, I figured that I could learn some things by going through the process myself, and indeed I have learned several things that I think are worth sharing.

First of all, what exactly is “Identify Theft”?

According to the Federal Trade Commission, identity theft occurs when someone uses your personal identifying information (PII) without your permission to commit fraud or other crimes. That could include information like your name, Social Security number, and your credit card number.

Do thieves need your credit card to use it?

Thieves do not need your credit card in order to make purchases. You may not find out about the theft until you review your credit card statement and notice charges you didn't make. I've had my credit card number stolen on 3 separate occasions. Each time, I still had the card but someone starting making purchases on it. I was fortunate because the fraud detection people at the credit card company flagged the fake purchases within a day or less and called me to verify if the purchases were mine. Once, someone tried to make another purchase while I was on the phone with the fraud agent! Each time the number was stolen, they cancelled the card, sent me a new one and I never heard anymore about the theft. Although you have to be careful, I think the systems that the credit card agencies have in place are truly amazing.

Regarding stolen cards/numbers, is there a difference between a credit card and debit card?

There is a **major** difference between credit and debit cards when it comes to fraud. Different federal rules apply to each type of card. With a credit card, your maximum liability for fraudulent use of your card is \$50. With a debit card, it's the policy of the company that issued the card, not federal law, which determines your liability level. If you're using a debit card, be sure to read what they do and don't cover for fraud.

What is the meaning of the signature on a receipt, sometimes I don't even have to sign?

Most people assume that their signature on a credit card receipt is there to validate their identity and prevent identity theft. But sometimes you don't need to sign and when you do, they don't always check to see if the signature matches the one on your card. “The Credit Card Prank” is a website that chronicles a person who wanted to find out how crazy he would have to make his signature before anybody noticed. After several ridiculous drawings and names, nobody noticed, not even when he signed with "I stole this card"!! It's worth a few minutes to read his story. [Click here go to The Credit Card Prank.](#)

So what is your signature for? It turns out that the signature affects who's liable if there is a fraudulent purchase. If a receipt is signed, the bank must reimburse the cardholder for fraudulent purchases. Otherwise, the store is held responsible. Therefore, stores weigh the cost of possibly reimbursing fraudulent purchases against the cost of increasing time per transaction and paperwork. This is why places like fast food restaurants, that process transactions quickly and sell cheap products often choose not to require signatures. They probably make more money from the extra customers they can process without a signature than what they actually lose from fraudulent purchases.

And finally, here are some tips to protect yourself.

- Remember that according to [federal law](#), maximum consumer liability in the case of a fraudulent credit card purchases is \$50 per card.
- Consider setting up email or text message alerts for transactions over a certain amount.
- Never leave the tip or total fields blank to ensure that somebody doesn't give themselves a generous tip.
- Carry only the necessary personal identification and cards with you and leave the cards that are rarely used at home or in a safe place until you need them. By cleaning out your wallet or purse of extra items, you will minimize the loss if your belongings are lost or stolen.
- At an ATM, make sure that others cannot see your account number or PIN number. Also, try to use ATM's that are in public places with lots of people around. Thieves are more likely to target someone in an area where few people are around.
- Memorize your necessary PINs and Passwords and make sure they are not written down and carried with you. OR, get a password app for your smart phone. These apps are great little programs that allow you to securely keep all your passwords and personal information in one program with one master password. For security, the app will delete all data if the correct password is not entered within 5 or 10 attempts. Note: don't try this if you're taking pain medication!!

WHEN YOU'RE TRAVELLING:

- Call your credit card companies before you go and tell them when and where you'll be travelling. Not only does this help prevent fraud but it helps prevent a "declined purchase" when they aren't sure who is using the card in a different place.
- Leave a copy of your passport with a trusted friend or family member at home if you are traveling abroad. Also leave a list of the important items in your purse or wallet with the same person so you can call them if you need to cancel whatever was lost or stolen.

I know it takes a lot of effort to implement these tips, but I think it's worthwhile so none of us shows up as the lead TV story about an identity theft nightmare!

Please enjoy the remainder of summer...there isn't much left!

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