

Want to Fight I.D. Theft? Be Careful How You Treat Your Information in the Real and Virtual Worlds

Foiling I.D. theft is no longer just a matter of buying a document shredder and keeping track of your receipts – though it helps.

I.D. theft evolves every day and according to security experts, net-savvy thieves are getting more efficient about blending their illegal activity on the ground and online. Here are some examples from Identity Theft Resource Center (ITRC), a non-profit group focusing on the latest I.D. theft trends and assistance for victims:

- I.D. thieves are stealing more paper checks being delivered to homes. Why? Because with the credit squeeze, there are fewer people being approved for checking accounts, so physical checks left in mailboxes are being swiped more frequently so the account numbers can be used to open fraudulent accounts under different names.
- Fraudulent dating, job hunting and social networking Web sites are being used to gather critical data for a host of fraudulent activities. Be careful what you put online.
- Thieves are getting younger since young people are the earliest adapters of online skills. The ITRC notes that arrest records show that younger individuals are getting caught with sophisticated forgery equipment or designing sophisticated online scams.
- Sadly, there are more reports of I.D. theft occurring within families and groups of friends. Individuals are more likely to have their guard down on protection of credit and account data around people they know. Often, such thieves are connected to drugs or other illegal activities being done by their peers.

What can you do? Here are some ideas:

Change your online record-keeping behavior. If you download bank or credit activities to a desktop program like Quicken or Microsoft Money, don't store passwords on that software. It may slow you down, but take the time to type in that access data, and then log off as soon as you've completed your transactions and close the browser too. Never put this data on a wireless-enabled computer – I.D. thieves lurk in coffeehouses and other public places to capture data that's traveling through the air. Confine these activities to the desktop and secure terrestrial Internet connections.

Put a lock on your mailbox. If you work long hours or are otherwise not available to grab your physical mail as soon as your letter carrier drops it off, either install a high mail slot on a door with a strong lock (so a thief can't reach in and grab mail that's fallen on the floor), or install an outdoor mailbox with a key lock on it that only you can open. Also, talk to your bank or check printer about secure ways to receive delivery of printed checks.

Shred or cut up any receipts or credit and account documents. A strong, safe paper shredder really is a good investment. What should be shredded: credit solicitations, receipts you're not keeping, line of credit checks that come in your monthly credit card bills (which you shouldn't be using anyway), and tax-related evidence for prior-year returns your tax advisor says you no longer have to keep.

Guard your Social Security number above all. Never, ever share this data unless you are dealing with a recognized financial institution that you trust. Never put it on a check or type it into an online form.

Beware the “Phishermen.” Phishing is a process by which scam artists try and get you to divulge your Social Security number, your account numbers, address or other personal information under the guise of a legitimate company you may already be doing business. It’s most common over the Internet, but there’s no reason why a phishing request couldn’t come via direct mail or over the phone. They’ll get your attention by saying there’s a problem with your account you have to address immediately. Online, the scams are so sophisticated that you’ll see e-mails that look exactly like the ones your bank, credit card or even your airline mileage club would send you, right down to the logos and disclaimers. Anytime anyone asks you for personal information, use *your own* account customer service number (not the one on the mailing) to speak to a live person to verify that the request is real. If it’s not, save the evidence – it may help put the con artists in jail.

Change your passwords occasionally. If the only username and passwords you can remember are your e-mail address and your dog’s name, you need to develop a schedule for changing those passwords and storing that information in a safe place off your computer. Again, resist storing this information on your computer.

Get each of your credit reports once a year. By law, you’re entitled to free copies of your credit report from each of the three major credit rating agencies – TransUnion, Experian and Equifax. Don’t get them all at once – stagger them a few months apart so you can see if erroneous data appears throughout the year. Also, if you are on active duty with the military, you can place an active duty alert on your credit reports to help minimize the risk of identity theft while you are deployed. Active duty alerts are in effect on your report for one year – if your deployment lasts longer, you can place another alert on your credit report. Couples need to check both reports.

Think twice about I.D. theft insurance. Some companies offer identity theft insurance that will cover lost pay if you have to straighten out your credit, but realize they will not do the dirty job of restoring your credit – that’s up to you. And since many of the companies selling this insurance are already affiliated with the credit industry, that’s good reason for pause. Also, check your home or renter’s insurance policy to see if they provide I.D. theft coverage. Most important, be aware that some of the I.D. theft prevention marketers are scams themselves!

Stick with a known ATM. Some of those independent ATMs you see in convenience stores, restaurants and bars may be collecting your data for illegal use. Use ATMs only at established banks.

Watch your wallet and cell phone. Yes, it sounds dumb, but the easiest one-stop opportunity for I.D. thieves to fleece you is sitting in your purse or pocket. Keep only a few necessary items in your wallet and regularly clean out receipts and other data that would identify you. And keep in mind that an Internet- and address book-equipped cell phone is a potential gold mine – they’ll not only get your information, but they’ll be able to reach all your contacts as well.

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What if theft still happens? One of the best resources for a step-by-step guide to fighting identity theft is the Federal Trade Commission and its Web site, www.ftc.gov. The FTC provides a complete listing of contacts and procedures for getting to the bottom of identity theft before the event goes from being serious to devastating.

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Want to Avoid Medical Debt? Take These Preventative Measures

Medical debt is a leading cause of bankruptcy in this country – a fact made even more frightening because it is devastating people who actually have health insurance. According to January statistics from the Commonwealth Fund, a non-profit health care action group, more than one in six Americans—or 17.7 percent of the non-elderly population—lived in families spending more than 10 percent of after-tax income on health care in 2004, up from 15.9 percent in 2001.

One of the most damaging aspects of medical debt is that it may occur suddenly and pile up at lightning speed. An overnight hospital stay – depending on tests and treatments – may easily cost several thousand dollars.

The bottom line: Your health is potentially your biggest money issue.

Yet like most financial crises, it's tough to find solutions when you're facing an emergency. If you're currently in good health, first, count your blessings. Then do the following:

See if you can get healthier. The Centers for Disease Control reports that 66.3 percent of non-institutionalized U.S. adults aged 20 or over are overweight or obese. Getting involved in a personal or group weight loss program and actually cutting pounds will significantly lower your health risk factors. Quitting smoking and limiting alcohol intake are other good moves to make, but consult your primary care physician first to map out a strategy.

Review your health insurance coverage. If you are insured through an employer or buy your own coverage as a self-employed person, investigate what that coverage actually provides in everything from minor emergency room visits to major catastrophic diseases, such as heart problems or cancer. There's a good chance those benefits change – and have probably decreased – year-to-year. It's a good idea to seek help with this process. A trusted insurance agent or a trained financial adviser, such as a CERTIFIED FINANCIAL PLANNER™ professional, can review this coverage with you or recommend an expert who can.

Check your disability coverage. If you were sick and unable to work for a lengthy period of time, when would your disability coverage kick in and how long would it pay your living expenses? If you are self-employed or don't have this benefit at work, you should discuss it with an expert.

Pre-plan a health care spending strategy. Granted, it's tough to ask how much a hospital's tests, medications and procedures are going to cost if you're strapped unconscious to a gurney. But everything in a hospital has a price – everything from tissues to MRIs. Talk to your primary care physician about ways to save on costs during office visits and prior to any planned hospital stays and also talk about extended payment options if you feel you'll need one.

Talk to a financial planner or health care insurance expert about ways to scrutinize hospital bills so you can refuse unnecessary items during your stay. Once you have these ideas written down, make sure the person you've designated as your health care power of attorney has them so they can act in your stead if you're incapacitated. One more thing – these are particularly important questions to ask if you are moving an elderly relative into a nursing home or assisted-care situation where everything from aspirin to adult diapers carries an inflated price.

Put tax-advantaged savings strategies in place. You may have the option to put money into flexible spending accounts (FSAs) at work and/or set up health savings accounts (HSAs) as part of your enrollment in a qualified high-deductible health plan. Unlike FSAs, HSAs allow balances to be carried forward year-to-year, growing on a tax-free basis as long as they're used for medical expenses – this way, you can accrue a fairly large nest egg against uncovered expenses while you're still healthy. Get some advice from an expert on how to best use one or both kinds of accounts if you have those options available to you.

Create a health insurance emergency fund. An emergency fund – separate of your main emergency fund – would be useful to cover the deductibles and co-insurance on your health insurance if you don't have an HSA in place. Health insurance policies will list a "total out of pocket" amount on the coverage page, which can run thousands of dollars – try to keep this amount in reserve.

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If You Can't Sell a Home, Is Renting a Good Idea?

In this increasingly tough economy, people are not only having a tough time selling their homes in slow markets, they're also having a tough time keeping their jobs.

That means there are families facing a dangerous squeeze. For those who have a chance to seek employment in other markets or simply want to move for any reason, they're facing the prospect of their current home sitting empty while the lender still wants their monthly check.

No wonder why renting seems like a good solution. But before you make that decision, consider the pros and cons.

When homeowners suffer, renters usually catch a break. You're not the only person who's had this brilliant idea. As homes and condos sit empty in many markets, renters reap the rewards of supply and demand – landlords desperate for income might lower the prevailing market rent just to see some cash flow. The real estate bubble has stacked the deck against landlords in several ways. First, historically low interest rates and freewheeling mortgage lending that's all but dried up today turned a lot of potential renters into buyers over the last few years. Second, the remaining renters in troubled housing markets now have more empty homes, condos and apartments to pick through. Before you make a move, analyze those "for rent" ads in your neighborhood to see if they're longtime rental properties or housing just like yours that's being dumped on the rental market because it won't sell.

Are you prepared to be a landlord? The good news is that good tenants treat your property like gold; the bad news is that good tenants can be hard to find. Being a landlord is a job – never forget that. You need to freshen up the look of your property to make it attractive to renters, and you'll need to understand local landlord/tenant law so you can have proper leases drawn up. You'll need to meet tenants face-to-face and run credit and employment checks. That means time and money on the way in, and additional time, investment and potential headaches after your dream tenant moves in. They can damage your property (making it tough to sell later) or they may violate their lease agreement in a variety of ways including the worst option – delaying or ducking payment of rent. All of these situations are tough to deal with if you're two blocks away – they're a lot tougher to handle from another city or state. You might need to hire a property manager to handle tenant emergencies if you're no longer close enough to do so.

How will it affect your home expenses? You will no longer get a homestead exemption and, as a result, your property will be taxed at a higher rate. In addition, the cost to insure your property is likely to increase because you're not occupying the property. You should see your tax professional and possibly a CERTIFIED FINANCIAL PLANNER™ professional to get an overview of how such a commitment will affect your overall finances. It's true that rental property can pay for itself in tax benefits related to expenses and depreciation, but that depends very much on market factors and your financial situation.

Renting could affect your borrowing power later. Converting a home from a primary residence to a rental property will also affect the new landlord's ability to obtain mortgage financing to purchase their next primary residence. Mortgage lenders contribute only 75 percent of the rental income—documented on the lease agreement—to a borrower's income, leaving the other 25 percent to account for repairs and maintenance. If the existing mortgage payment (principal and interest), property taxes and insurance exceed 75 percent of the rental income, the landlord's debt-to-income ratio will be reduced. That will cut the landlord's borrowing power for purchasing their next residence.

Don't forget moving expenses. This may seem obvious, but it will definitely cost you to move out, and you need to check with your tax professional whether you'll be able to deduct expenses for a job-related move or you'll have to shoulder this burden yourself. The Internal Revenue Service requires you to meet a "distance test" to relocate to a new job – your new job must be at least 50 miles farther from your old home than your old job location was from your old home. There are other distance, time and employment requirements you should review at www.irs.gov.

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What Would a Financial Planner do with a lot of Dough?

Carolyn Gurtz kneads a lot of dough to make her famous [Double-Delight Peanut Butter Cookies](#). At the 43rd annual Pillsbury Bake-Off, she took home quite a bit of dough, too – a million dollars.

Carolyn, a homemaker from Gaithersburg, Md., captured the grand prize at the Fairmont Hotel in Dallas, Texas April 15. Her husband, Dennis Gurtz, is a financial planner and member of the Financial Planning Association® (FPA®), and he says it's essential to make investment plans for the \$1 million, which is disbursed in 20 annual payments of \$50,000.

Carolyn, who appeared on NBC's [Today Show](#) April 17, said because her husband is a financial planner, she had to give him some – but not all – of the money. "I know I'll find something I want too!" she said.

Dennis Gurtz, CFP®, CPA, CFA, and member of FPA of National Capital Area, is cofounder of Gurtz, Yurachek & Associates, a financial advisory practice of Ameriprise Financial Services, Inc., in Bethesda, Md. Dennis has been a financial planner for more than 26 years, formerly working at the U.S. Securities and Exchange Commission. He began his professional career as an accountant with Arthur Andersen & Co. and for the Ringling Bros. "From one circus to another," he joked.

While Dennis opts not to discuss his family's personal plans for the money, he provided advice on what one should do upon winning or inheriting a large sum of cash.

Dennis said it's important to be aware of the after-tax value before you start planning, or you'll be in for an unpleasant surprise. "With Carolyn's winnings, I'm focusing on the \$50,000 per year pre-tax payment, so it's really only \$30,000 after tax." He added that it is crucial to seek immediate professional planning and tax advice after receiving a substantial amount of money.

Dennis also pointed out that not many people are adequately funded for retirement and recommends investing any windfalls to bolster retirement savings. This can be accomplished by increasing your retirement plan contributions through work or, if you are eligible, funding an IRA or Roth IRA.

"But, it really depends on how you receive the money. If the money is acquired through an inheritance, you need to first determine the tax basis of the inherited property. An inherited IRA is very different from cash, which is different from low basis stock in a trust," he said.

Whether or not you've won the lottery or inherited a fortune, Dennis said it's important to prioritize and make a list of all your plans before you start spending.

"At first, it seems like a lot of money, but a million dollars could disappear very quickly if you're not paying attention. It could be gone with a few major purchases. You have to invest and save your money. It sounds boring, but you have to be careful."

Carolyn Gurtz may know how to bake up a scrumptious million dollar treat, but Dennis is certainly one "smart cookie" when it comes to financial advice.

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