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Seven Steps to Protect Loved Ones From Financial Fraud

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With fraud increasing in complexity, frequency and deception, it's natural to be concerned for the privacy and financial security of the loved ones in your life.

Whether you're seeking to protect aging family members or your children, here are seven steps to help protect your loved ones' financial lives:

1. Educate your loved ones about common types of fraud

One of the best fraud prevention tools is education. Keep your loved ones informed by talking to them about popular scams and red flags that could signal bad actor activity.

Some of the most common types of fraud include:

- Phishing scams use fraudulent, urgent-sounding email, text and phone messages to get sensitive data and financial information.
- Advance fee fraud requests upfront payments for the promise of larger sums of money that never materialize.
- Investment fraud involve "get rich quick" offers, such as pyramid schemes.
- Romance scams use deceit and affection to target people seeking relationships on social media or dating apps.

2. Set up alerts on financial accounts

Staying one step ahead of fraudulent activity is critical to protecting your loved one's financial assets.

Set up alerts on your loved one's financial accounts — you can do so for their bank accounts, investment accounts and credit cards — so they receive instant notifications on questionable account activity. These notices can help them quickly identify and rectify suspicious transactions.

Depending on their preference, your loved one may opt in to email, text or pop-up message alerts. They also may choose to receive notifications for foreign transactions or purchases over a certain dollar amount.

3. Safely store documents and secure passwords

Work with your loved one to identify and secure passwords and store important documents in a central location (physical or digital). Consider the following steps:

- Encourage them to sign up for electronic statements, which may be more secure than hard copies by mail, and easier to manage.
- Help them create a habit of shredding papers with sensitive or personal information.
- Talk to your loved one about protective password behaviors online, such as using strong passwords, activating two-step verification and installing a password manager. The latter security measure lets users store, create and manage passwords in one place.

4. Review credit reports for fraud and identity theft

Together with your loved one, access their reports from the major credit bureaus and carefully review all the details. (Children under 18 generally don't have credit reports unless someone is using their information for fraud).

Confirm that:

- Personal information is correct.
- Credit account information is accurate, and all accounts belong to the owner.
- Payment history is properly recorded for lenders and creditors.
- Only approved joint owners or co-signers are listed.

Reviewing these details can help protect your loved one's identity, accounts and credit history from financial fraud.

5. Place a credit freeze on reports to prevent fraud

If you suspect your loved one is at an especially high risk for identity theft, have a discussion with them about whether a credit freeze can help protect them from bad actors. A credit freeze prevents any new account (credit card, car lease, credit or savings, etc.) from being opened before the report is "unfrozen" by the individual personally verifying their identity with the credit bureau.

While a freeze is in place, no accounts — whether they are legitimate or fraudulent — can be opened in your loved one's name. A credit freeze can be reversed by your loved one at any time.

6. Become a "trusted contact" on a loved one's account

If your loved one can be difficult to reach or has health issues, including cognitive decline, you may consider becoming a trusted contact on their financial accounts. With this designation, you can potentially set up alerts to be notified of questionable activity on their accounts and be contacted by their bank or other financial institutions to:

- Address other suspicious account activity.
- Confirm their current contact information.
- Confirm the identity of others (e.g., legal guardian or executor) associated with your loved one's accounts.

Being a trusted contact is not the same as establishing a joint account or acting as your loved one's representative with Power of Attorney (POA). A POA is a legal document that allows a person to make medical or financial decisions on someone else's behalf.

7. Teach children about financial responsibility through bank accounts

Help teach your child financial independence and responsibility — and how to safeguard against fraud — by opening a joint bank account. With a joint account (or custodial account for minors under 18), you can monitor their transactions and balance, and help them learn to read bank statements. If fraud does occur, show them what it looks like on a statement and how to take appropriate action.

Safeguard your loved ones with proactive measures

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