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## The Automatic Millionaire

by David Bach

### Six Ways to Avoid Identity Theft

*Tuesday, November 21, 2006*

Identity theft is a nightmare for its victims. Your personal data -- Social Security number, credit card numbers, and bank account numbers -- can be stolen by a thief posing as you who uses this information to spend thousands of dollars or more.

The damage goes way beyond money. Identity theft can have a devastating impact on your entire life, destroying your credit score and taking you months or even years to recover from the damage.

#### Some Surprising Data

The Wall Street Journal recently reported that an estimated 95 million Americans have been exposed to some risk of identity theft in the last two years due to breaches at companies, institutions, and government offices.

USA Today also reported that by year's end there will be 8.9 million cases of identity fraud, resulting in an average loss of \$6,383 per victim. This crime is an epidemic, and has quickly become a billion-dollar crisis.

The [Javelin Strategy and Research 2006 Identity Fraud Survey Report](#), believed to be the largest ever on identity theft, reveals some surprising results. Ninety percent of identity fraud in which the source can be determined takes place through traditional means, not as a result of the Internet.

#### Don't Be a Victim

Lost or stolen wallets, checkbooks, and credit cards account for 30 percent of cases in which identity thieves gain access to personal information. That's right, it's the most frequent way that identities are stolen -- more than online transactions, more than stolen mail, and more than computer hacking.

According to the survey, the No. 1 misperception surrounding identity theft is that consumers are helpless to protect themselves. The truth is that many causes of identity theft are beyond our control. But taking a proactive stance to detect fraud will keep you from being a victim.

Here are six things you need to know to fight back against identity theft:

#### 1. Keep your private information private.

Half of all identity theft in which the thief is identified is committed by a friend, coworker, neighbor, in-home employee, or relative of the victim. So make it a habit not to leave things lying around at home or in the office -- specifically your wallet, checkbook, or anything else containing private or financial information, including your mail.

Also, before you toss anything in the trash containing your private information, be sure to shred it. This isn't new advice, but I'd be remiss not to mention it.

## **2. Get a copy of your credit reports.**

Often, victims of identity theft have no idea their credit is being used or destroyed until they apply for a loan and pull their credit score. So pull your credit report now, and make a plan to check it regularly.

By law, you're entitled to a free credit report from each of the three major credit bureaus -- Equifax, Experian, and TransUnion -- once every year. Go to [AnnualCreditReport.com](http://AnnualCreditReport.com) and stagger your requests so that you'll receive one report from each credit bureau every four months. Put the dates on your calendar so you don't forget. Keep in mind that this is for your free credit report only, not your credit score.

For your credit score, you'll need to go to [myFICO](http://myFICO). While you're there, you may want to check out their [Identity Theft Security Deluxe](#) product, which monitors your credit score and credit report automatically for \$49.95 a year.

## **3. Find out if your state has a credit freeze law.**

Here's a virtually foolproof way to prevent a thief from stealing your identity and using your personal data to get approved for credit. With this new law you're able to block ("freeze") all access to your credit report and credit score.

It's not necessarily the most convenient solution to protect yourself from fraud. Anytime you need to have your credit checked -- for instance, if you're buying a car or cell phone or even interviewing for a job -- you'll need to lift the block ("thaw" your record), which takes about three days. But if you have real concerns about identity theft or perhaps are already a victim, this is an option you may want to consider.

Some states will only grant a credit freeze if you're already a victim of identity theft. Find out if your state has a credit freeze law, including what it costs, by visiting [FinancialPrivacyNow.org](http://FinancialPrivacyNow.org).

## **4. Check your bank statements weekly.**

One of the great things about online banking is that you can log on and check your account at any time. Make a point of checking your bank statement weekly to be sure there aren't any red flags.

The same goes for your credit card statements. In fact, you may want to consider canceling your paper statements altogether and opting for online statements. After all, you're more likely to have personal information stolen from your mail than from the Internet.

That said, be sure to always use a secure computer. Using a public computer, like one at your local library, is risky due to tracking software that thieves can use to steal your passwords.

## **5. Be computer savvy.**

Even though a relatively small percentage of identity theft occurs online, you should still take necessary precautions.

In addition to being careful about surfing the web on public computers, you should also be aware of the risks involved when using a wireless connection. Wi-Fi and Bluetooth are becoming increasingly popular, and as a result there's bound to be an increase in wireless hacking.

Wireless connectivity is the perfect platform for thieves to get your personal data. If you have a wireless network at home or work, make sure you're incorporating password-protection and encryption. When accessing public hotspots, use a personal firewall.

Also, keep your computer safe by updating your antivirus and anti-spyware programs regularly. Use passwords so that others can't log on to your computer, laptop, or even your PDA, and be sure to change your passwords often.

Be smart about phishing scams, too. That's when you're sent an email that requests your personal or financial information, or that prompts you to click a link to provide your personal or financial information. If you're

unsure of the legitimacy of such a request, call the company that it was supposedly sent from. If an email seems suspicious, it usually is.

#### **6. Be aware of "deleted" data.**

The Washington Post recently ran an article on mobile phones -- specifically "smartphones" like the Palm Treo and BlackBerry -- that was quite an eye-opener.

According to the story, resetting your phone to wipe out personal data doesn't exactly delete information. It turns out that your phone's operating system never actually deletes data, only the pointers to where the data is located. Anyone with the right software can recover information that was stored on your phone once you sell or discard it

You need to do is contact the device manufacturer for complete instructions on what to do to wipe your data clean. You can also visit [WirelessRecycling.com](http://WirelessRecycling.com) for instructions. And think twice about what information you store on your device in case it's ever lost or stolen.

#### **If Your Identity Is Stolen**

Take the above steps and -- should you ever find yourself in the unfortunate position of having had your identity stolen -- you'll commend yourself for being proactive enough to identify a problem before too much damage was done.

Don't waste a minute once you've discovered suspicious activity -- go directly to [the website of the Federal Trade Commission](#) to file a complaint and access their comprehensive guide on the steps you'll need to follow to resolve the situation.

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