EDITOR'S NOTE

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I Have Personally Been a Victim of Fraud

In this month's issue, H. Kent Baker and Vesa Puttonen discuss investment scams. The timing of the article is ironic because two weeks before we went to press—and after I had received their article—I was personally a victim of fraud.

Citibank sent me an alert about questionable transactions on one of my credit cards. Someone made three transactions, totaling approximately $300 in Hammond, Indiana. For those you unfamiliar with the city, it sits just to the east of Chicago.

I haven't set foot inside the state Indiana for at least two years. No particular reason why; I just haven't. So, there was no way I would have made those charges. What happened was that my credit card's information was stolen. Someone got a hold of the number and used it without my authorization. I have no idea how it happened or who the guilty party was. Citi is taking care of the charges, so I haven't incurred any damages. (And yes, a new card was promptly issued.)

Sadly, this is not the first time I've been a victim of fraud. I've had my debit card swiped once with approximately $1,600 worth of charges made to my checking account and, in a separate and earlier incident, I had my identity stolen. Fortunately, both were caught early and I was unscathed.

These events have happened even though I have and continue to take proactive measures to protect myself. My credit reports are frozen. I check my credit reports annually (I use AnnualCreditReport.com). I review our financial transactions weekly. When I'm at the ATM, I now cover the keypad when typing in my PIN. (Scamsters install tiny cameras on ATMs to record people typing in their PINs.) My passwords for my financial accounts are all unique and not used anywhere else.

Yet, even with these proactive steps, I was still recently a victim of fraud. While I could pay with cash instead, I'd have to incur the risk of theft and lose some of the protections that credit cards provide. There are risks no matter what I do.

What I've never been a victim of is an investment scam. I've heard many claims and pitches that haven't smelled right, but many may have been more a combination of bad ideas and overly bold claims than outright scams. Some were likely scams. One that was suspicious was a person who called our office from a pay phone seeking investors for an oil-related investment. Voicemail recorded the message and I purposely did not return the call. Today, it's more likely for me to get unsolicited investment pitches through Twitter. (Not the right way to establish a base level of creditability.)

None of this means I'm immune to being a victim again in the future. The research clearly shows that as I get older, the risks of being targeted will increase. Fraudsters purposely go after retirees. Though I've got a ways to go before I'm eligible to claim Social Security benefits, every year I'm getting a little bit closer.

Even if you're not at retirement age, you still might be at risk. Affinity fraud remains a longstanding problem. Scamsters join groups of like-minded people, falsely gaining trust and then stealing from those they have "befriended." Religious groups are a particular target because the default line of thinking is to assume all fellow congregants are moral and good people. Secular groups are not immune to affinity fraud either.

Fortunately, protecting yourself doesn't require walking around with a high level of cynicism or fear. A small number of measures and steps can go a long way toward protecting yourself. Monitor your accounts for questionable transactions and contact your bank or brokerage firm immediately if you spot something. Many banks and credit card companies now offer fraud alerts—use them. Vary your passwords for each account. A password manager such as Dashlane (which I use) or LastPass can help. Don't answer calls from phone numbers you don't recognize. If the call is important, they'll leave a message. When pitched an investment, ask as many questions as are necessary to make sure you understand what's being offered. Most importantly, never feel pressured to make an investment decision. If you do, it's a bad sign.

Baker and Puttonen provide more great advice in their article, which appears on page 21. Even if you've never been a victim or fallen for a scam, I suggest reading it. It only takes one fraudster to create unwanted headaches and financial losses.

Wishing you prosperity,