

FREEZING CREDIT STILL THE BEST WAY TO PREVENT IDENTITY THEFT.

by: Tim Sullivan, CFP®, EA

Many years ago, this column addressed the importance of freezing your credit. If the goal is to prevent identity theft — not just detect identity theft — then freezing your credit is still the most effective way to achieve this objective.

Credit monitoring services do little in the way of preventing identity theft. Monitoring services can only monitor for identity theft and then help repair damage done after it has occurred. In this case, an ounce of prevention is certainly worth a pound of cure. A credit freeze prevents criminals from establishing new accounts in a victim's name, which is often the most difficult fraud to detect, as well as correct, when it is found.

Before placing a credit freeze, consumers should complete three steps. First, pull and review a free credit report from all three credit bureaus. One free credit report can be requested from each bureau on an annual basis, and this can be done by visiting annualcreditreport.com.

Second, if a home purchase or refinance is imminent or the need for new credit is impending, then delaying the freeze until this process is complete is a practical decision.

Lastly, consumers should consider establishing an account with the Social Security Administration at ssa.gov. The Social Security Administration uses Equifax as their "Identity Services Provider," and an online account cannot be established for an individual with a frozen Equifax account.

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Steps to complete a credit security freeze:

Equifax

Visit Equifax's credit freeze site at equifax.com/personal/credit-report-services/credit-freeze. Click the "Get started with a freeze" tab and fill out and submit the requested personal information page. On the next page, create an account using your email and a password. They will text a verification code to a cell phone or to your email if you prefer. Enter the code provided and then once it is verified, on the next screen, click "Place a freeze" and then confirm by clicking "Place a freeze" again on the next page.

Experian

Go to Experian's credit freeze site at experian.com/freeze/center.html. Click "Add a security freeze" then click "Freeze my own credit file" below on the same page. On the next page, fill out the personal information form and then create a 5-10 digit pin number or Experian can auto-generate one, then click "Submit." The next page is an identity verification page with several challenge questions. Answer the questions accordingly and click "Submit."

Transunion

Go to transunion.com/credit-freeze.

Click the yellow tab titled, "Add a freeze." Transunion requires three steps. Step 1 is an information page they call "Tell us about yourself." Once the information page is filled out, click "Submit & continue to Step 2." In Step 2, create an account. In Step 3, Transunion will verify your identity via a text message or phone call to the number previously entered. Select which option is preferred and select "Agree and Send Passcode." Enter the passcode sent and click "Verify My Identity."

Click "Continue" then "View my freeze status." On the next screen, select "Add Freeze." Lastly, create a six-digit PIN and select "Continue." Call 1-888-909-8872 if problems arise.

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SA credit freeze doesn't prevent the credit bureaus from continuing to track consumer credit usage. Each bureau will still monitor established accounts such as car loans, home loans or credit cards. The difference is that no new accounts will be added unless a consumer takes the necessary steps to "thaw" their account. If needed, thawing a credit file is quite simple and any minor inconvenience pales in comparison to the headaches serious identity theft can cause an individual.

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Tim Sullivan is the owner of Clarity Financial, LLC a fee-only advisory firm in Columbia, MO, a CFP practitioner and member of the National Association of Personal Financial Advisors and has earned the Enrolled Agent designation from the IRS.