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Getting Organized: Bill Paying and Record Keeping

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OVERVIEW OF THE FINANCIAL CAREGIVING SERIES

The publications in this series are based on research conducted with adult child caregivers and caregiving professionals. The series provides practical insights and strategies for adult children (and other family members or friends) who are concerned about or caring for their aging, ill, or disabled loved ones. Financial caregiving tasks are organized and prioritized for caregivers according to three possible scenarios: when there is time to plan, when you observe that some assistance may be needed, and when there is a crisis. Caregiver resources include step-by-step implementation plans, consumer checklists, worksheets, and locations for finding more information. The series contains seven publications:

1. *Introduction to Financial Caregiving and Glossary* (Publication 8379)
2. *Communicating with Your Parents about Finances* (Publication 8380)
3. *Getting Organized: Bill Paying and Record Keeping* (Publication 8381)
4. *Understanding Long-Term Care* (Publication 8382)
5. *Planning and Paying for Long-Term Care* (Publication 8383)
6. *Estate Planning* (Publication 8384)
7. *Financial Fraud and Abuse* (Publication 8385)

The information presented in the Financial Caregiving Series is for general educational purposes only and is not intended to substitute for professional advice regarding legal, tax, or financial-planning matters.



GETTING ORGANIZED

ORGANIZING FINANCIAL RECORDS

If you need to get quick access to your parents' documents due to an accident or illness, will you be able to find their important papers? Many people, including older adults, don't have documents (such as their insurance policies, bank statements, and legal records) all together in an organized system. This publication contains information to help you and your parents get their financial and legal information organized for quick, easy access. It also offers ideas to simplify financial management.

The National Institute on Aging (NIA) suggests the following steps for getting organized (NIA 2004):

1. Find and collect all financial and legal paperwork.

Help your parents find and gather up all of their financial and legal information, records, and documents. This might include pension information, checking and savings account records, insurance policies, and documents such as birth, marriage and divorce records, tax returns from previous years, real estate deeds, investment contracts, and wills. Not sure what to include? Use the list in appendix A to help identify the financial and legal records your parents should have.

2. Put all financial and legal records and documents in one place.

Store all the collected information and copies of legal documents together in one place—a desk, box, or dresser drawer will work. Even if your parents don't take any further actions, this step will be helpful, since a search for important information could be limited to just one place in their home. To make the information more accessible, your parents could organize it in files or a 3-ring binder. About once a year it's a good idea to see if anything new should be added to their records, and update information as needed.

Alternatively, your parents can use the *Document Locator* in appendix B to record the location of all their important documents. They

should let you or another family member know where they keep the completed Document Locator or, better yet, give you a copy.

3. Find out how to access items stored in a lock box, home safe, or safe-deposit box.

If your parents use secure storage such as a lock box or home safe, you need to know where the items are stored and where they keep the key(s) or combination. If they have a safe-deposit box, find out the name and address of the financial institution where it is located, and where the key is kept. Your parents must officially authorize you (or someone else) to access the contents of their safe-deposit box (either as a convenience to them or in case of an emergency) by arranging this with the financial institution (FDIC 1997a).

4. Get the contact information for professionals and others that your parents rely on.

Obtain the name, telephone number, and e-mail address of professionals such as the attorney who has a copy of their will or other legal documents; their accountant, financial planner, insurance agent, money manager, or others who could help you locate important records and information if necessary. If you are a long-distance caregiver (you live far away from your parents), a little additional information may make it easier for you to help. For example, make sure you have the names, telephone numbers, and e-mail addresses of people living near your parents who could be helpful in an emergency, such as

- neighbors and friends who live nearby
- your parents' apartment manager (if they rent)
- your parents' doctor(s) and other health-care providers
- your parents' clergy

5. Obtain written consent to access your parents' confidential information.

If you or other family members have questions about your parents' health care, medical bills, or health insurance claims, their doctors or other professionals may not release information to you without your parents' permission (due to privacy concerns). To avoid this potential problem, ask your parents to give advance permission to Medicare, credit card companies, banks and credit unions, and their health-care professionals to talk to you about

"But a lot of people will stash an insurance policy here or their bank account statement there, and they are not in any one spot. So how many checks are coming in every month? How many automatic deposits are coming in? I don't even know what bank they are using. Or how many banks. So we really need to get just a list of things that are coming in."

—Caregiver, talking about the need to help her parents get their finances organized



anything in their records. Sometimes they can give approval over the telephone. Increasingly though, it is necessary to sign and return a form to the organization, company, or professional.

6. Discard old financial records and documents.

How do you and your parents know what to keep and what to get rid of? Should they keep items such as old bank statements, bills, receipts, and cancelled checks? Will they need them someday or is it safe to discard them? While they may need to consult a professional advisor about certain financial documents, the following record retention system is a reasonable approach for many people (FDIC 2002).

Take Precautions with Old Accounts

Your parents may have records pertaining to old bank and brokerage accounts, life insurance policies, and other assets they no longer own. If they don't need the documents for tax or other purposes, shred and dispose of the records or clearly mark them as being cancelled, sold, or cashed in (FDIC 2005a).

Tax Records

Federal tax rules require a person to have receipts and other records that support items on a tax return for as long as the IRS can assess them additional tax. Under most circumstances, the IRS can assess a tax up to 3 years from the date a tax return was filed, but it's 6 years if the IRS suspects underreporting income by more than 25 percent, something that can even happen to an honest person who makes a serious mistake.

Cancelled Checks

Checks with no long-term significance for tax or other purposes can probably be destroyed after about a year. However, your parents should probably keep any cancelled checks that support their tax returns (such as charitable contributions, investments, home improvement costs, or tax payments) for at least 7 years. (This is long enough to cover the six-year tax assessment period that starts when they file their tax

return for the year the check was written.) Keep indefinitely (for other tax reasons) any cancelled checks and related receipts or documents for a home purchase or sale, renovations or other improvements to a property your parents own, and nondeductible contributions to an Individual Retirement Account (IRA). If your parents are uncertain whether or not to keep specific items, consult a qualified professional for advice. (Most communities have free or low-cost legal clinics for those with limited resources.)

Bank Records

Deposit, ATM, and debit card receipts should be kept until the transaction appears on your parents' monthly statements and they've verified that the information is accurate. Monthly bank statements with no tax or other long-term significance should be saved for about a year, but the rest should be saved for up to 7 years. If your parents get a detailed annual statement, they can keep that and discard the corresponding monthly statements.

Credit Card Receipts and Statements

It's important to save original credit card receipts until your parents have received their monthly statements and verified that all charges are correct. If the receipts and statements match up, they can shred the receipts. It's a good idea to keep their monthly credit card statements for about a year if the charges have no tax or long-term significance. If your parents get a detailed annual statement, they can keep that and discard the corresponding monthly statements. If tax-related expenses are documented, they must keep the statements for 7 years.

Other

Keep credit card contracts and other loan agreements as long as an account is active. This will be important if there is a dispute with the lender over the terms of a contract. Your parents should keep the documentation for purchase or sale of any stocks, bonds, or other investments as long as they own them, and then 7 years after that.

Guard Against Identity Theft

Shred any discarded documents containing your parents' Social Security numbers, bank account numbers, or other financial or personal information. A crosscut shredder that turns paper into confetti is a good choice.

"When I was there for three weeks, I went through all her financial stuff and reorganized it. I shredded checks from probably 1980. It was a huge task and I got it all organized."

—Caregiver, describing process of organizing parents' financial documents

Storing Important Documents

At Home

Your parents can keep personal and financial records such as bank and brokerage statements, insurance policies, Social Security, and company pension

records in a safe, accessible location at home. They might consider purchasing an inexpensive home safe to store the most important items.

In a Safe-Deposit Box

Your parents may want to rent a safe-deposit box at a bank or credit union to store documents that would be difficult or impossible to replace, such as birth certificates and originals of important contracts. If so, they should keep a complete list of the box contents at home, along with copies of the original documents.

It's not a good idea to use a safe-deposit box to store documents that might be needed in an emergency (such as health-care directives or passports), since financial institutions close at night and on the weekend. Experts also advise against putting a will in a safe-deposit box because it may not be immediately accessible when the owner dies. If your parents are uncertain where to keep their wills they should ask a professional for guidance.

Bill Paying and Record Keeping

Like many caregivers, you may help your parents with tasks such as bill paying, bank deposits, savings and investment decisions, tax preparation, and other financial tasks. The following pages suggest ideas and resources to facilitate these tasks (FDIC 1997b).

Arrange to Access Your Parents' Accounts, If Necessary

Consult the appropriate professional (banker, attorney, accountant, or other) for advice about gaining access to your parents' financial accounts so you can assist them with day-to-day tasks or act on their behalf in case of an emergency. The easiest way is for your parents to make you an *authorized signer* on their accounts. They retain full control of the accounts, but you can withdraw funds according to specified limits. (Use the form in appendix C for

recording the user names and passwords to your parents' financial accounts.)

Another approach is for your parents to open a *joint account* with you. As co-owner of the account you can write checks or withdraw money from the account without your parents' approval. Alternatively, your parents can legally grant you *power of attorney*, authorizing you to conduct financial transactions as their legal representative (Goetting and Schmall 2003).

All three approaches have potential financial and legal implications that should be considered ahead of time (Connerly 1994; Urich 1995). Be sure both you and your parents understand the risks and liabilities before they grant you access to their account(s) (FDIC 2005b).

Simplify Money Management

There are a number of ways you and your parents can make their day-to-day money management easier. These changes can save time, reduce some of the stress of financial management and decision making, free up other time for tasks such as filing insurance claims, and maybe even lower the fees they pay and help them earn a little extra on savings and investments.

Consider Consolidating Accounts

How many different financial institutions do your parents use and how many accounts do they have? They may be able to simplify their finances, reduce mail and paperwork, and even get better deals by concentrating their business with fewer institutions. Some banks and credit unions offer special services, discounts, or more attractive interest rates for those who have multiple accounts or maintain a larger balance.

Also encourage your parents to look at how many credit cards and department store charge cards they have. They may be better off using just two or three cards for all purchases (such as a Visa or MasterCard and a gas card). This would make it easier to keep track of purchases and payments, and reduce the amount of mail they receive. Many credit card companies will even send a statement at the end

"We don't want to restrict our parents' spending by any means because, so far, they are managing it just fine. I'm just talking now about becoming acquainted with and acclimated to what their situation is so when things do change down the road, we're not walking into it new."

—Caregiver, explaining why it is important to know the basics about her parents' finances

"On her checking account, we had to make sure her name stayed on it for Social Security to deposit her check."

—Caregiver, explaining her decision to retain her mother's name on her bank account



of the year that breaks out spending into different budget categories, such as entertainment or clothing.

Use Direct Deposit

If your parents have not already done so, encourage them to set up direct deposits. Social Security is already paid electronically, and they can arrange for direct deposit of their pension benefits, 401(k) distributions, and any other regular payments they receive. This assures that they will receive all payments on time, and checks will not get lost, stolen, or simply overlooked.

Direct deposit is free and easy to set up. It eliminates the need to fill out deposit slips, prepare envelopes, and wait in teller lines. While paper checks can be lost, misplaced or stolen, direct deposit is safe and reliable. According to the FDIC, direct deposit is safer than paper checks (FDIC 2004/2005).

Automate Bill Paying

Your parents can contact their financial institution to arrange automatic payment for any recurring bills, such as house payments and insurance premiums, and arrange regular payment for gas, electric, and water bills (which can be set up online). This takes the hassle out of making scheduled payments and avoids late charges or service interruptions. Another option is to arrange with companies to automatically charge a monthly bill to a credit card that they can pay back later, along with other expenses.

Automate Savings

Many older persons continue to save and invest for many years. If appropriate, your parents can also arrange for automatic withdrawals from a checking account to routinely put a certain amount into a savings account, certificate of deposit, mutual fund, or U.S. Savings Bond.

"She has auto-pay on the gas and the electric, the phone bill, the cable bill, so those bills we don't even have to think about. I just have to make sure there's always enough money in the checking account and have to make sure that I balance it every month. But I don't have to worry about anything on the computer, it's just done automatically. And then the charge cards...I can pay that by phone. There's no charge to do it over the phone, usually, and then I don't have to mess with the computer."

—Caregiver, explaining her system for simplifying her mother's money management

Use Electronic Banking

Telephone banking allows you or your parents to use a touch-tone phone to get their latest account balance, transfer money between different accounts at the same financial institution, and confirm that checks or deposits have cleared. If you or your parents own a home computer, you can bank and pay bills quickly and easily over the Internet 24 hours a day, seven days a week. Internet bill paying usually costs less than the postage to mail payments. For more information, see appendix D ("Afraid to Bank Electronically?").

"It is essential to make sure their taxes are filed..."


—Caregiver, advising other family caregivers

Start Gradually

Resist the temptation to take over your parents' finances out of fear or a desire to protect them. This could overwhelm them and cause resistance. Instead, reassure your parents that you don't want to take control of their money, but just want to assist them while they continue as financial decision-makers (Schmall, Nay, and Bowman 2005).

For example, take on day-to-day tasks such as bill paying gradually and only in areas your parents cannot manage for themselves. If your parents have limited mobility, low vision, loss of hand dexterity, or failing memory, they may need help reading the fine print on a credit card statement, balancing their checkbook, writing checks, or dealing with Medicare or other insurance programs. Those who are homebound due to poor health may need someone to pay bills, but can still make decisions and direct their finances. Only very ill or disabled elders need someone to manage all their financial tasks (Goetting and Schmall 2003).

If you are concerned about whether or not your parents are paying their bills on time, you might ask them to collect all their mail and put it one place, such as in a shoebox on the kitchen counter. Then, come by once a week to help them pay the bills. Maybe you can write the check while your parent signs it and puts a stamp on the envelope to mail it. Later, you may have to sign the check and balance the account, but you can still have your parent sit with you while you write the checks, letting them put the check in the envelope and put a stamp on it.



If it comes to the point where your parents are misplacing or losing the bills, you can arrange for the bills to be sent to your address. Then, streamline the management process by moving your parents' bank accounts to your financial institution for easier access.

Get Assistance from Family and Friends

If you are one of several family caregivers, it is a good idea for the family to designate one person as the primary financial caregiver who is responsible for overseeing the “big picture” to be sure all areas are covered. Others who have time and the appropriate skills might consider sharing duties or even taking responsibility for specific tasks.

Some regular responsibilities, such as paying bills or making bank deposits, might be done most efficiently by one person. Where appropriate, family, neighbors, and old friends might assist with occasional banking matters, basic errands, phone calls, and letters. Those with legal, health-care, or financial training can be particularly helpful with certain tasks. If help is available on a regular basis, that's even better. If you rely on friends or relatives for assistance with money management, closely monitor their work as you would do with professionals (FDIC 2005c).

Some financial tasks—such as filing insurance claims, managing your parents' investments, deciding on retirement plan distributions, and other money matters—may be too much for you or other family members to handle alone. Just as you would turn to a professional for specialized expertise in other areas of your life (such as a home contractor or computer technician), there may be times when you need the services of an eldercare professional.

Hire Qualified Professionals to Assist You

There is a growing number of professionals who specialize in serving the needs of elders and their families. For example, *daily money managers* (DMMs) can help seniors or their caregivers organize finances, pay bills, balance the checkbook, make deposits, organize tax information, negotiate with creditors, and provide referrals to other professionals such as accountants and financial planners. They work on an hourly basis, with charges ranging from \$35 to \$100 per hour depending on geographic location

(AADMM 2007). *Geriatric care managers* (GCMs) serve as “navigators” who assist elders and their families in understanding and choosing housing, transportation, long-term care, and support services in the community as well as coordinating care services. *Elder law attorneys* specialize in information about public benefits, probate and estate planning, guardianship or conservatorship, and health- and long-term care planning.

To find someone who can assist you, begin by asking others for their recommendations, contacting the local Area Agency on Aging for a list of local professionals, or using the *Eldercare Locator*, a public service of the U.S. Administration on Aging. However, even when hiring someone who is recommended by a friend or relative, find out if the person has appropriate professional credentials and is associated with a professional organization that requires commitment to a code of ethics (FDIC 2005c).

Some attorneys, accountants, and other professionals offer a free initial consultation so you can judge their fitness for the help you need. Clarify what you want them to do and find out the cost. Before making a commitment, ask for several references from their clients and other professionals in the same or a related field. Monitor their work to prevent mismanagement, overcharging for services, or theft.

If your parents can't afford to hire professionals, investigate the services provided by the local Area Agency on Aging or other community organizations. Many agencies and some local governments offer free or low-cost professional services to qualifying individuals.

Services may include legal advice, tax preparation, and assistance applying for Medicare, Medicaid, and other government benefits.

Eldercare Locator

Use this tool as the first step toward finding resources for your parents in any community in the United States. Visit the Eldercare Web site at <http://www.eldercare.gov> or speak to an information specialist at 1-800-677-1116, weekdays 9:00 AM to 8:00 PM, Eastern Standard Time. Spanish-speaking specialists are available.

WHERE TO BEGIN

When There Is Time to Plan

- Encourage your parents to organize their financial and legal documents, or at least put them all in one location.
- Find out where your parents keep their financial records so you will know where to look in the event of an emergency.
- Discuss the importance of durable powers of attorney so you (or another designated person) could manage their affairs in the event that they cannot do so themselves.
- Discuss the need for wills and advance directives and the potential effects on their family if your parents do not have these documents.

When You See Signs That Some Assistance May Be Needed

- If they have not done so already, strongly encourage your parents to at least collect all their records and keep them in one location. (You might consider giving them an organizer, such as the Elderkit®2000 listed in the resource section at the end of this publication.)
- Ask your parents where they keep their financial records and how to access any important documents that are in secure storage.
- Talk with your parents about the importance of designating powers of attorney for finances and health care.
- If your parents don't have wills, talk with them about the benefits of making their own decisions regarding the distribution of their assets after death.

- Encourage your parents to streamline their money management through automatic deposits and electronic bill paying. Offer to help them get information about their options.
- Find out what assistance your parents need and offer to assist in ways that allow them to retain control over their financial planning and decision making to the greatest extent possible.
- If your parents do not have a relationship with one or more professionals who could assist them, this is a good time for them to find someone that they would be comfortable working with.

When There Is a Crisis

- Locate your parents' important documents and put them all in one place.
- Find and carefully review your parents' health benefits, including private health insurance, Medicare, and Medicaid (if eligible).
- If your ill parents are mentally competent, at a minimum, urge them to act immediately to
 - write or update their will
 - legally designate a durable power of attorney
 - designate a health-care proxy (also called a power of attorney for health care)
 - prepare a living will indicating the type of medical treatment they want at the end of life
- Get their written permission for you to access their medical information and records as well as their account information from financial institutions, credit card companies, investment companies, etc.
- Respect your parents' rights to stay in control of their money and lives for as long as possible.

RESOURCES FOR GETTING ORGANIZED

Financial and Legal Records

Fannie Mae ElderKit©2000. Download and print this 67-page document to record and maintain all the information about your parents' financial, legal, and medical status in one file. It is useful for caregivers, and may aid the individual who is responsible for the estate. Fannie Mae Web site, <http://www.fanniema.com/global/pdf/aboutfm/responsibility/eldercare/elderkit.pdf>.

Replace Your Vital Documents. Use official services from the U.S. government to replace important documents such as birth, marriage, and death certificates; divorce decrees; Medicare cards; savings bonds; and military service records. USA.gov Web site, http://www.usa.gov/Citizen/Topics/Family_Issues/Vital_Docs.shtml.

Valuable Records Inventory Worksheet. You can download a (free) form to keep track of all of your parents' valuable records. National Caregivers Library Web site, <http://www.caregiverslibrary.org>.



Financial Management

Special Guide for Seniors and Families. The Federal Deposit Insurance Corporation (FDIC) offers helpful information and advice in their 2005 publication, "Fiscal Fitness for Older Americans: Stretching Your Savings and Shaping Up Your Financial Strategies." FDIC Consumer News Web site, www.fdic.gov/consumers/consumer/news/cnfall05.

Get It Done Online! Access U.S. government services from your home computer to simplify financial caregiving responsibilities: arrange for direct deposit of Social Security or SSI benefits, check out financial advisors, compare area hospitals, find government offices and services in your parents' community, compare Medicare health plans, and more. USA.gov Web site, <http://www.usa.gov/Citizen/Services.shtml>.

MyMoney.gov. This U.S. government Web site is dedicated to teaching the basics about money management. The consumer banking section includes information about direct deposits and tips for safe banking on the Internet. MyMoney.gov Web site, www.mymoney.gov.

Professional Assistance

Daily Money Managers. This noncommercial Web site offers information about daily money management programs: what they can and can't do, and what to look for in a money management program. It has links to additional references and resources. Helpguide.org Web site, http://www.helpguide.org/elder/senior_services_living_home.htm#parents.

Geriatric Case Managers. This Web site provides information about geriatric care and case managers: what they do, how they can help, how to find one, important questions to ask in a hiring interview, and the cost of case management services. The site contains links to additional references and resources. Helpguide.org Web site, http://www.helpguide.org/elder/geriatric_assessment.htm#what.

Elder Law Attorneys. The Web site of the National Academy of Elder Law Attorneys (NAELA), a professional association, has information about services the attorneys can provide, hiring information, and typical fees. It also has a searchable database of members. NAELA Web site, www.naela.com.

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APPENDICES

APPENDIX A: IMPORTANT PERSONAL AND FINANCIAL PAPERS

Use the following lists to help you and your parents decide what important personal and financial information they need in order to organize their affairs. The lists may differ for each family, but they can be used as starting points. Your parents may have other information to add. For example, if they have a pet, be sure to include the name and address of their vet.

Personal Records

- full legal name
- Social Security number
- legal residence
- date and place of birth
- names and addresses of spouse and children (or location of death certificates if deceased)
- copy of living will or other advance directive, and location of original
- location of birth and death certificates and certificates of marriage, divorce, citizenship, and adoption
- employers and dates of employment
- medications taken regularly
- education and military records
- names and phone numbers of religious contacts
- memberships in groups and awards received
- names and phone numbers of close friends, relatives, and lawyer or financial advisor
- names and phone numbers of doctors
- list and location of personal items, such as jewelry, family treasures, and artwork with photos and appraisals (if available)

Financial Records

- sources of income and assets (pension funds, IRAs, 401(k)s, interest, etc.)
- Social Security and Medicare information
- names of banks and/or credit unions and account numbers (checking, savings, and certificates of deposit), including debit cards
- insurance information (life, health, long-term care, home, and car) with policy numbers, agents' names, and contact information
- mortgage and debts (what is owed, to whom, and when payments are due)
- credit card and charge account names and numbers,* and number to call for customer assistance (found on the monthly statement)
- property tax information, including when payments are due
- investments (stocks, bonds, property) and stock brokers' names and contact information
- names and contact information for legal and financial advisor(s)
- location of safe-deposit boxes, keys, and lists of contents
- copy of most recent income tax return
- copy of most up-to-date will with original signature, and location of the original
- location of original deed of trust, and car title and registration

Source: Adapted from NIA 2004.

Note: *Easily record credit card information by placing cards face down on a copy machine.



APPENDIX B: DOCUMENT LOCATOR

Use this chart to indicate where your parents personal and financial documents are located so they could be easily accessed by a trusted family member in the event of an emergency.

Personal documents	Location
birth certificate	
education records	
employment records	
military records	
religious documents	
medical records	
advance directives (living will, "do not resuscitate" order, and health-care power of attorney)	
organ donor card	
other	
Financial documents	Location
car title and registration	
bank statements	
certificates of deposit	
checking/savings accounts	
credit cards	
hospital bills	
retirement accounts (401(k), 403(b), IRAs, Keoghs, and other)	
pension records	
mortgage statements	
loans	
mutual funds	
savings bonds	
Social Security records	
stock certificates	
tax returns	
safe-deposit box (list of contents, location, and where key is kept)	
utility bills	
property taxes	
prepaid funeral or burial plans	
other	
Legal documents	Location
wills and codicils	
power of attorney for finances	
power of attorney for health care	
trusts	
property deeds and titles	
marriage licenses	
divorce papers	
passports/naturalization papers	
other	
Insurance documents	Location
health	
disability	
Medicare	
Medicaid	
long-term care	
life	
auto	
homeowner or rental insurance	
other	

Source: Adapted from Fannie Mae 2000.



APPENDIX C: PASSWORD LIST

Use this form to record the user names and passwords that your parents use for financial transactions. Store the list in a secure spot, such as a home safe, and let family members know where it is kept.

Type of account	Website	User name	Password
checking and savings accounts:			
credit cards and loans:			
retirement accounts:			
investment accounts:			
other:			

APPENDIX D: AFRAID TO BANK ELECTRONICALLY?

Bank customers who feel fear or confusion about banking electronically—using a debit card, the Internet, an ATM, telephone, or similar devices—could be missing out on some convenient, time-saving ways to handle their finances. Here’s information that can help you or your parents overcome possible concerns.

You Have Legal Protections

Federal laws and rules set limits on your liability for unauthorized transactions and set procedures for correcting errors, especially if you report a problem to your financial institution within specified time periods.

Suppose a hacker obtains your debit card number and password and uses that information to transfer funds out of your bank account. You will have no liability for an unauthorized transaction if: (1) the

situation does not involve the loss of your debit card or password, and (2) you notify your card issuer within 60 days of the date your financial institution mails the statement containing the error.

What if you lose your debit card or password and a thief makes an unauthorized withdrawal from your account? Your liability depends on how quickly you notify your financial institution after learning of the lost card or password. If you notify your financial institution within two business days after learning that the card or password is lost, the law limits your liability to \$50 or the amount of any unauthorized transfer, whichever is less. If you wait longer, your potential liability could go up significantly.

You Can Protect Yourself

Financial institutions spend millions of dollars and follow extensive security programs to make electronic banking transactions go safely and smoothly. But you need to think about your own safety procedures.

Protect your personal information—including bank account numbers, passwords, and Social Security numbers—from scam artists who hide at the other end of the computer screen or phone line. Don't give personal information in response to an unsolicited phone call or e-mail. And before providing credit card or other information on a Web site, confirm that the site is legitimate, not a copycat designed by a crook. Verify the Web site's address in literature from the company or other reliable sources. Be careful since fraudulent companies often have Web addresses that are very similar to those for legitimate (and often well-known) companies.

Take security measures with your home computer. For example, experts advise installing and periodically updating virus protection and a

“firewall” to stop hackers from accessing your home computer. Keep good records so you can spot and reconcile errors. Review your bank statement for errors as soon as it arrives online or in the mail and promptly report any suspicious or unauthorized transactions. Your quick attention to a problem may help limit your liability and make the problem easier to solve.

Source: FDIC 2004/2005.

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