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Protecting Your Financial Accounts: The Trusted Contact

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Financial institutions have many tools to help protect clients from fraud and financial exploitation. One of the simplest is naming a trusted contact, who can a) provide an additional layer of protection to your investment accounts and b) be someone for your advisor to reach out to if they become concerned about your well-being or notice suspicious activity involving your account.

WHAT IS A TRUSTED CONTACT?

A trusted contact is someone you authorize your financial firm to contact in certain circumstances. This might be a spouse, adult child, sibling, attorney, or another person you trust. When might this role be necessary?

Imagine that your financial advisor receives an unusual request to withdraw a significant amount of money from your account and cannot reach you to confirm the request. Or perhaps your behavior changes significantly and your advisor becomes concerned that someone may be pressuring you financially.

These situations can be difficult. A trusted contact provides the financial firm with someone who knows the client personally and may be able to help.

Having a trusted contact may provide another avenue for the firm to help determine what is happening.

A TRUSTED CONTACT DOES NOT HAVE AUTHORITY OVER YOUR ACCOUNT

This is one of the most important things to understand. Naming someone as your trusted contact generally does not give that person authority to trade in your account, withdraw money, make investment decisions, change your beneficiaries, access your account online; or act as your power of attorney.

Think of a trusted contact as an additional point of contact, not an additional account owner. This distinction is important because some clients may hesitate to name a trusted contact out of concern that doing so gives another person control over their finances.

TRUSTED CONTACTS CAN BE PARTICULARLY IMPORTANT AS WE AGE

Financial exploitation can happen to anyone, but older adults can be particularly attractive targets for criminals.

Scammers may believe older individuals have accumulated more assets, and they may exploit isolation, cognitive decline, unfamiliarity with technology, or a person's natural willingness to trust others.

Financial exploitation also isn't always committed by strangers. Unfortunately, it can involve caregivers, acquaintances, friends, and even family members. Naming an appropriate trusted contact before a problem occurs can create an additional safeguard.

WHO SHOULD YOU CHOOSE?

Your trusted contact should be someone you trust and someone who is likely to act in your best interest. Consider selecting someone who:

- knows you well;
- is dependable and responsive;
- understands your general personal circumstances;
- is comfortable communicating with your financial professionals; and
- is unlikely to be involved in a conflict concerning your finances.

You should also consider the person's age, health, location, and your relationship with them. For some married couples, a spouse may be the natural choice. Others may prefer an adult child, sibling, attorney, or another trusted individual.

It is also important to keep the information current. If your relationship with your trusted contact changes, or the person's telephone number, email address, or other information changes, you should update your financial firm.

A TRUSTED CONTACT IS NOT A SUBSTITUTE FOR ESTATE PLANNING

Your trusted contact should be viewed as one part of your broader financial protection plan. It does not replace a durable power of attorney, healthcare proxy, will, trust, beneficiary designation, or other estate planning document.

Those documents serve very different purposes and may provide another person with specific legal authority to act on your behalf.

A trusted contact has a much narrower role: providing your financial firm with someone it may be able to contact when certain concerns arise.

HAVE THE CONVERSATION BEFORE IT IS NEEDED

If you decide to name someone as your trusted contact, explain to them that you have provided their information to your financial firm as an additional safeguard and that they could potentially be contacted if the firm cannot reach you or has concerns about your circumstances.

This can obviously prevent confusion if the call ever comes. It can also open the door to a broader family conversation about financial security, fraud prevention, estate planning, and who should be contacted in an emergency.

A SIMPLE STEP THAT CAN PROVIDE MEANINGFUL PROTECTION

Many financial safeguards involve complicated technology or legal documents, but naming a trusted contact is comparatively simple. And yet, that small step could become extremely valuable if something unusual happens. It is a reminder that financial security is about having safeguards, and people you trust, in place in addition to the standard practices of protecting passwords and account numbers.

If you have questions about adding or updating a trusted contact on your investment accounts, please contact your Grimes & Company financial advisor. We can help you understand how trusted contacts work and discuss the steps involved in keeping your information current. A few minutes spent identifying the right trusted contact today could provide an important additional layer of protection in the future.

READ OUR RELATED ARTICLES IN THIS SERIES:

- Protecting Your Identity: Simple Steps You Can Take Today
- Protecting Your Wealth: Recognizing and Avoiding Financial Scams

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This information is provided for general educational and informational purposes only and is not intended as legal, tax, cybersecurity or identity-theft recovery advice. The appropriate steps may vary based on individual circumstances. If you believe you have been the victim of identity theft or fraud, consider contacting the appropriate financial institution, credit bureau, government agency and/or qualified professional promptly.