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CYBER FRAUD – WHAT YOU SHOULD KNOW

In this age of technology, more activity is conducted through email. This gateway to the Internet is also a gateway for threats to our identity and finances.

Through our NAPFA Study group (National Association of Professional Financial Advisors), Brian, Chris, Jenny and Jill recently attended a session conducted by Fidelity's William R. French, head of Customer Protection and Financial Intelligence. We'd like to share this information to increase your awareness of the types of cyber fraud being perpetrated and some action you can take to help secure your information.

Malware: hackers use this software to disrupt your computer and gain access to sensitive information on your computer. Example: viruses – the most recent one on Internet Explorer called Heartbleed. Make sure your virus protection software is up-to-date.

Phishing: through email, an attempt to access your user name, password, credit card details, etc. by appearing to be a trustworthy organization (i.e., pretending to be the IRS, your bank, etc.) Examples: French showed sample emails saying "Fibelocity" instead of "Fidelity."

Social Engineering: manipulation of people to perform actions that leads to transfer of money electronically. Example: Calls or phishing requesting money to help someone get money quickly because of lost identification, relative in jail, etc.

Sample email texts

FROM: Fibelocity

SUBJECT: Transfer

During our regular verification of accounts, we couldn't verify your information. Please [click here](#) to update and verify your information. <http://fib.com>

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TD Ameritrade's website for our clients (Advisorclient.com) has been enhanced with increased security. Please login and establish a security question for increased protection. Also, make sure your browser is running the latest version so you can take advantage of the added security.

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CYBER FRAUD – WHAT YOU SHOULD KNOW **(continued from front page)**

FROM: Cooper@aol.com
SUBJECT: Sad News... Help (Cooper)
I Hope you get this in time. I'm in Greece and my bag was stolen with my passport, mobile phone. I have to pay for a ticket and settle my hotel bills. I have made contact with my bank but it would take me 3-5 working days to access funds. The bad news is my flight will be leaving very soon but i am having problems settling the hotel bill. I need your help/LOAN financially and i promise to make a refund once i get back home...

These types of emails:

- ◆ Request action
- ◆ Ask for information
- ◆ Provide link to a firm of a similar address (Fibely instead of Fidelity)
- ◆ Have a sense of urgency
- ◆ Sometimes display typos and incorrect grammar (i vs. I, incorrect tense)

Wire Fraud

Wire fraud is the fastest growing threat. Your email account is hacked. They scan your address book and emails. They identify your financial information and contacts. Using previous email conversations (threads), they improve grammar and spelling. They send instructions to financial intermediaries with

instruction to wire transfer to a suspicious third party. Then the fraudsters use Western Union or moneyline to move the money out of the country.

Financial Connections is on the lookout for this type of activity. If we receive an email communication to wire to a suspicious third party, we call you to make sure it is really from you.

What you can do

The obvious activity should your email be taken over is to change your email address. Many people do not want to do so because of the number of other people they would have to notify with this change.

At minimum, changing your password should be done with a more complex password using symbols, letters and numbers. The shortcoming to this step is that if keystroke software has been installed on your computer by the fraudsters, it will capture your new password.

French suggested that you have a separate email address for working with financial intermediaries from your personal email correspondence. We think this is a good suggestion.

Other articles in this newsletter will discuss identify theft and ways to maintain passwords.

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Jill D. Hollander, CFP®, CRPCSM, ADPATM, Financial Advisor

Brian Pon, EA, CFP®, Financial Advisor

Financial Connections Group, Inc.
21 Tamal Vista Blvd., Suite 105
Corte Madera, CA 94925
415.924.1091

Berkeley Office:
2608 Ninth Street, Suite 302
Berkeley, CA 94710
510.849.4667

EMAIL: client@FinancialConnections.com
WEBSITE: <http://www.FinancialConnections.com>



IDENTITY THEFT

According to the Federal Trade Commission 2013 Annual Report, consumers lost \$1.6 billion to fraud last year. Of these fraud complaints to the FTC, 14% were related to identity theft. Account takeovers (see Cyber Fraud) reached record levels in 2013.

If your personal information is compromised, please call Financial Connections to alert us. TD Ameritrade recommends certain steps be taken depending on what information has been lost or stolen.

Actions Steps may include

- ◆ Notify law enforcement
- ◆ Make an online report with the Federal Trade Commission (www.consumer.gov/idtheft)
- ◆ Contact one of the credit reporting agencies and ask they notify the others. Request a security alert.
- ◆ Contact source reporting fraudulent information
- ◆ Add a seven-year victim statement - optional
- ◆ Security freeze - optional

You may not know your identity has been compromised. Activities to check are:

- ◆ Review your credit report annually. Order through www.annualcreditreport.com
- ◆ Has an application been declined by a lender?
- ◆ Have you received calls from unknown creditors

Each reporting agency has information about identity theft. The above information came from Experian. The following are two of their websites providing education, electronic versions of published materials, etc.

www.experian.com/crediteductions
www.experian.com/consumer-education-content.html

MANAGING YOUR PASSWORDS

It seems that we need a password or PIN number for everything. One of the ways to manage them is to purchase software. The software allows you to store everything from passport numbers to credit card numbers to web logins and passwords. Then, you only need to remember the password to the software but it should be complex enough not to be easily duplicated (don't use birthdays, address, etc.) Just using something like "Go_Giants_Go_2013!" or a favorite line of a poem with added symbols and numbers will help make it difficult for someone to hack.

Recently, Geoffrey A. Fowler of the *Wall Street Journal* reviewed several software managers in "The Best Way to Manage All Your Passwords." <http://online.wsj.com/news/articles/SB10001424052702303647204579545801399272852?KEYWORDS=best+way+to+manage+passwords&mg=reno64-wsj>

He reviewed 1Password, Dashlane, LastPass and PasswordBox. We are also familiar with one called SplashID. Please consider if using such a program would help you make your accounts requiring password more secure.

2014 – THE FIRST SIX MONTHS

All major domestic and international indexes rose the first six months of 2014 – the first time since 1993. The simultaneous rallies in all indexes (even gold, commodities and Treasuries) were accompanied by very low volatility. The Volatility index reached its lowest reading of 13.8, breaking the record of 14.2 in 2007 for the same period.

While the fact that all indexes had positive (as opposed to negative) returns is a bonus, it also shows that correlations between all asset classes are moving in sync. Diversification is supposed to capture asset classes with movement in different directions, which isn't possible when everything moves in the same direction.

“We are in a Goldilocks-like age at the moment,” said asset manager Jack Flaherty, referring to markets perceived as not too hot and not too cold – just right. Flaherty is head of U.S. fixed income at GAM which has over \$120 billion in global assets under management.

Investors have chosen to ignore geopolitical problems in Ukraine, Iraq (spot price oil is up to \$107/barrel), a 2.9% drop in U.S. GDP in the first quarter, slowing job growth and a decline in manufacturing activity last month.

Yet housing demands continue to rise, the U.S. federal deficit has fallen from \$1.4 trillion to approximately \$400 billion in one year. Our trade deficit was driven largely by importing oil from the Middle East but is decreasing rapidly as the U.S. approaches energy self-sufficiency.



Jill D. Hollander



Brian Pon

The declining bond yields have driven many investors into the stock market. The 10-year Treasury yields about 2.53%. While we may think this is low, compared to Germany's 10-year yield at approximately 1.25% and Japan's at 0.563%, there is no shortage of people or institutions from many countries wanting to own Treasuries as a safe haven and source of higher yields.

No bull market lasts forever. This one began in March 2009 and the economic expansion that started about the same time is the longest since the Civil War. The growth during this period is more like a marathon than the usual recovery sprint after a recession. The economy has grown at 2% annualized rate since 2009, considerably below the normal recovery from an economic malaise.

We do not know when the bull market will end or whether it will be with a soft landing or in freefall. We continue to believe you have to be invested (if not, you would have missed out on the gains since 2009!) but encourage you to contact us about your portfolio. It is important for us to know what, if anything has changed in your life that may require portfolio adjustments. Please contact us for a discussion.

