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Digital Assets

Digital estate myth #2: Hard copy, password managers the answer

By Sharon Hartung



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(October 17, 2019, 8:02 AM EDT) -- Digital assets remain one of the least understood aspects of estate planning and estate administration.

From a technology management perspective, I've seen three myths circulating about how to handle this new asset class. My first article in this series discussed the misunderstanding that all digital assets are the same. This article concerns the second myth: the false idea that password managers and hard-copy password lists are the answer.

Myth #2: Leaving passwords, password managers is enough

Sharing passwords might seem like a convenient answer to the problem of transferring digital assets, but it is a Band-Aid for a variety of legal, technical and practical reasons.

The biggest barrier is the terms of service imposed by the digital custodians, which may prevent the account holder from sharing the password(s). For example, an executor could be exposed to legal liability by attempting to access an account after death, even if the individual they are acting on behalf of has given them a list of their passwords.

From a technical perspective, all the barriers imposed to protect us from cybercrime will be the same barriers to the fiduciary (executor). It may not be possible to simply use someone's password even if you are allowed to do so legally. Passwords change over time, passwords get written down incorrectly, and passwords often require secondary methods of authentication, such as a text message. What if the cell phone was cut off because the credit card was frozen and there was no longer a secondary method available?

Further from a technology management perspective, it is ineffective and precarious to rely on passwords to transfer valuable digital assets. Password managers are for the living. With the proliferation of online accounts owned by the average person, password managers can be useful for managing the list when using unique and complex passwords as we strive for cybersecurity. However, other pre-planning options are required for the estate planning of digital assets.

Not many technology providers offer pre-planning options, although Facebook (Legacy Contact) allows the account holder to select a person who can have access upon death, and in Google's case (Inactive Account Manager), the selected designate can access the account on incapacity or death. According to a study by Queen Mary University of London from its Cloud Legal Project, more than 85 per cent of cloud providers do not have terms that address incapacity or death of the account holders. This means your executor might be chasing their tail dealing with customer support trying to get access to your account even with the correct documentation.

There are certainly emerging tech entrepreneurs (see: Bolster Your Digital Armoury) offering vaults — tech to manage our tech — as well as solutions to document directives and guidance on dealing with providers. Additionally, I believe we will need the same spectrum of estate planning

choices for digital assets as we have for physical assets, such as insurance, beneficiary designations, joint ownership, pre-planning and transfer options.

For example, there is really no such thing as joint ownership of an online account, but maybe there should be. It is unlikely that a variety of options will appear in the near term, as it will take time for consumers to become aware of the issue and demand more choice from online providers. For now, all we can do is encourage clients to use the pre-planning options that are available, seek legal advice, and for significant digital assets explore other account types, such as online business accounts versus personal accounts, because business accounts often provide multiple user access.

This is part two of a three-part series. Read part one [Digital estate myth #1: All assets are the same](#).

Sharon Hartung is the founder and principal of Your Digital Undertaker and has over 30 years of experience in IT management, project management and consulting. She is the author of the newly published Your Digital Undertaker — Exploring Death in the Digital Age in Canada.

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