

FUNDAMENTALLY SPEAKING

A simple explanation of the finance terms we all hear about but don't really understand



Make it enduring in case you need long-term power

ROWAN JONES

If you've got elderly parents chances are you already know what a power of attorney is.

It's a legal document that allows you to appoint someone to make financial decisions on your behalf. The most common reason for putting one in place is so that your affairs can continue to be managed even though you physically may not be able to do so yourself. For example, you may be going overseas on an extended holiday (we wish) or be laid up in hospital.

There's only one problem with a POA. They become powerless at arguably the time you need them the most — when you lose legal capacity. In other words, it is rendered useless if you are no longer able to understand the nature of legal documents. People can lose capacity for a number of reasons including stroke, dementia or mental illness.

So how can you ensure your financial affairs continue to be managed if you do lose capacity?

This is where an enduring power of attorney comes into play. Just like a POA you appoint someone to make financial decisions on your behalf, but it continues to remain valid in the event you lose legal capacity.

In most cases an EPOA becomes fully operational once the document is completed. However, it's also possible to structure the EPOA so that it only comes into operation once you lose capacity.

It goes without saying that it is an extremely powerful tool and a lot of thought must be given to whom this power is granted. You can elect to entrust a single individual or to two people jointly.

If you elect for joint attorneys there are two options — “joint attorneys” or “joint and several attorneys”. The former requires all decisions to be agreed upon together. The latter means decisions can be made independently or together.

Rowan Jones is an adviser with Entrust Wealth Management

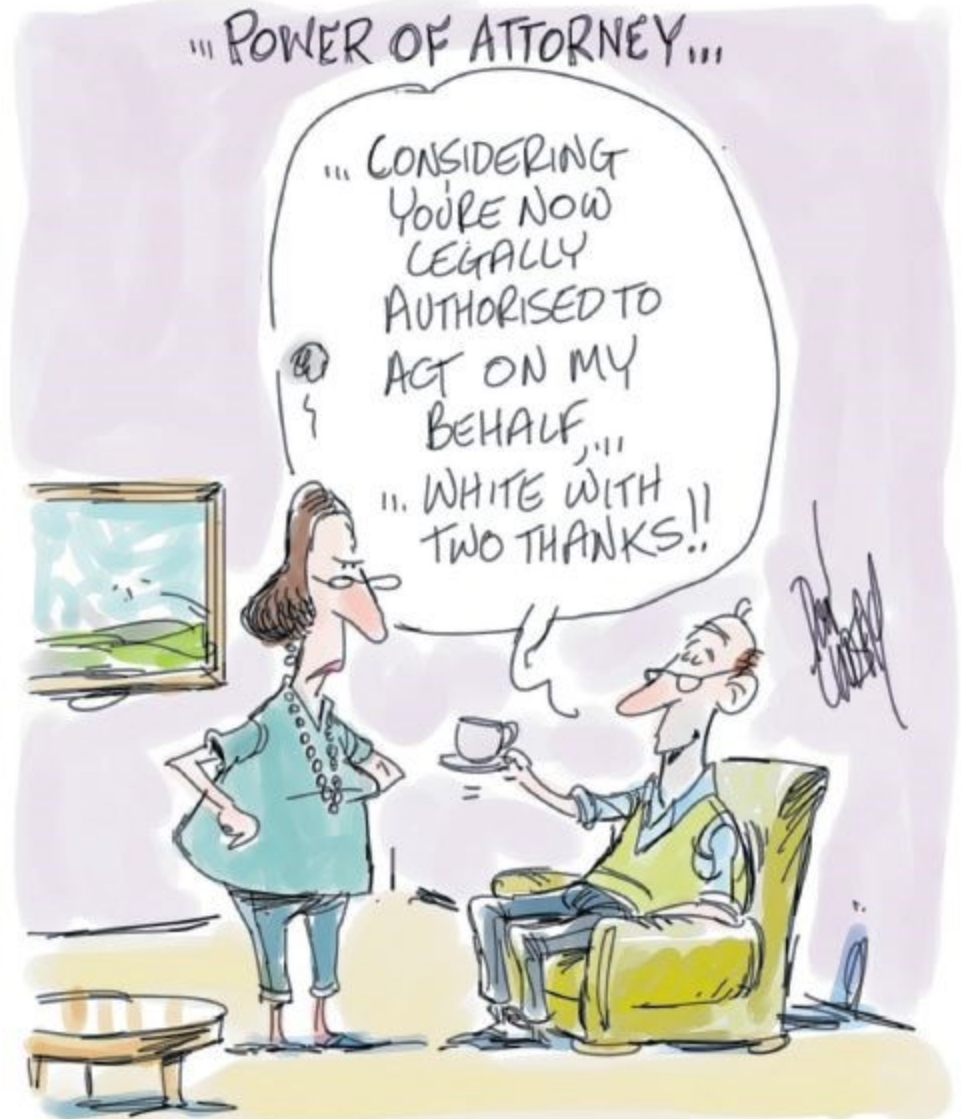


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