

# Power of Attorney

One way some older adults prepare for the possibility of diminished financial decision-making capacity is by making a power of attorney (POA) for finances. A power of attorney gives someone else legal authority to make decisions about money or property. That person—called the agent—can make decisions if the older adult is sick or injured.

Creating a POA is a private way to appoint a substitute decision maker and is relatively inexpensive. If you don't appoint an agent under a POA before your decision-making ability declines, a family member or friend might have to go to court to have a guardian appointed – and that process can be lengthy, expensive, and public.

A POA does involve some risk. It gives someone else – your agent – a great deal of authority over your finances without regular oversight. POA abuse can take many forms:

- Your agent might pressure you for authority that you do not want to grant.
- Your agent may spend your money on him or herself rather than for your benefit.
- Your agent might do things you didn't authorize him or her to do – for example, make gifts or change beneficiaries on insurance policies or retirement plans.

## **POAs differ**

POAs vary, depending on what your state law allows and the wording in the document. Generally, a POA goes into effect as soon as it is signed unless the document specifies a different arrangement. That means that even if you are capable of making decisions, your representative can immediately act on your behalf.

A durable power of attorney remains effective even if the grantor loses the capacity to make financial decisions. If you want your POA to remain effective if you become unable to manage your money or property, make sure it is durable.

There are ways to customize a power of attorney to fit your needs and preferences. An attorney can help you make an appropriate

POA for your circumstances.