

Your Elderly Parents Named You Power of Attorney (POA) Now What?



Your parents took all the right steps – talking with their attorney, establishing you as power of attorney (POA) and communicating their wishes in both the legal document as well as to you and your siblings. This is great news.

They have now become incapacitated and are relying on you to manage their financial, health and overall affairs.

The question now is how to get started on your POA journey to protect their best interest and fulfill your duty to them.

Am I financially liable as a POA?

As you get started, you may be wondering whether you are personally liable for your parents' debts or bills. The short answer is no. However, that doesn't mean there are no financial implications to being a POA. Your parents' finances must be kept separate from your own – and you must always make decisions that benefit them. You open yourself up to legal action if you make poor decisions or cannot explain your choices.

When you are helping parents manage their finances you must never commingle funds. This complicates your job of accurately keeping clean records of their income and expenses. By commingling, you open yourself to accusations of financial elder abuse.

For example, perhaps some of their retirement benefits are typically direct deposited into their checking account. If you are named on that account as financial power of attorney, you can sign as POA for your parents but that does not actually transfer ownership of the account.

For regular bill paying, be sure to contact each company to inform them you have POA for your parents' finances. You can go paperless, arrange to have the bills sent to your home address, or set up a dedicated P.O. box for your parents' bills and other financial documents to keep them separate from yours.



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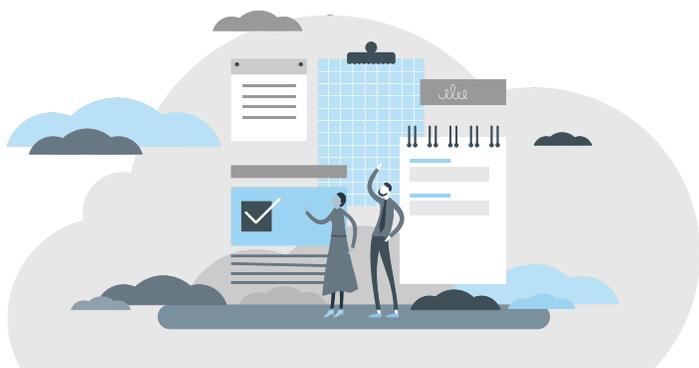
Where should I start when named POA?

1. Understand what your powers are:

- ✓ What is the language in the POA? Get a full copy of the document!
- ✓ Is the POA active or are there conditions before you can act on behalf of your parents (e.g., “springing” powers)?
- ✓ Does the POA also make you the trustee of any trusts? If not, who is the trustee and how will duties be split?



If you are a trustee, you should also get full copies of the original trust as well as all amendments and the Certificate of Trust Existence & Authority. The CTEA lists the powers of the trustee and is used to let banks, advisors, and other institutions know what you can and cannot do.



2. Understand your parents' situation:

- ✓ Who is on the financial team? Make a list of the investment advisors, attorneys, CPAs, and any other advisors – and inform them that you are the POA.
- ✓ Gather documents – make sure you know all the accounts and assets that you have authority over.
- ✓ Check their spending – what do they need to live on, and how is that expected to change?
- ✓ Is there any financial chaos that you need to address? If so, tackle that first!

Once you have a clear list of who your parents have been working with and where assets are held, contact their investment firm, bank and other financial institutions to find out what you will need to do to gain access to their accounts and information. Be sure to have your required documentation and do your research so you know what will be needed to prove your POA status and fulfill your responsibilities. Some institutions require additional documents - the POA on its own may not meet that requirement. Do your due diligence so you have everything you need.

As we do with our client's POAs, it is essential to sit with your parents' financial advisor and review their plan and portfolio – discussing current plans and future strategies to ensure your parents' needs will continue to be met and that everything is on track.

3. Strategize your POA plan:

- ✓ Assess the status of their team. Has anyone retired or moved to different firms? Did your parents handle any financial or other matters on their own, such as filing taxes or managing investments? If so, it may be time for professional assistance?
- ✓ Work with their financial advisor to make sure that any investments are properly allocated to support the spending needs of your parents. Remember – their investments should match their risk tolerance and be available when needed.
- ✓ Make sure that all insurance coverages are paid and have not lapsed, from homeowners to long-term care. Your parents' policies can lapse if they forget to pay the premium and this can cause coverage to fail right when it becomes necessary.



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Remember, you do not need to do this all on your own. A POA can hire a professional such as an attorney who specializes in elder law, an accountant, or daily money manager for daily tasks (DMM) to fulfill their obligations. Fees for those professional services are charged to the principal (your parents). The fee agreement should specifically state that the principal (your parents) and/or their estate is responsible for payment. This could provide a less stressful circumstance; as different responsibilities, including bill paying, record keeping, budgeting, credit issues, and routine tasks such as balancing checkbooks could be handled by someone else. If you are also managing your parents' health care or are long distance, another ally in the process could make managing the situation easier.

POA Checklist

- ✓ Estate-planning documents, including power of attorney for finances and health care
- ✓ Social Security Numbers
- ✓ Birth and marriage certificates
- ✓ Names and contact information of financial advisors, CPA, attorneys, banks, credit unions, insurance companies
- ✓ Information about retirement plans, pension(s), life insurance and annuities
- ✓ Deeds to real estate/property and cemetery plots
- ✓ Vehicle titles and registration
- ✓ Location of safe deposit box and keys

Being a POA allows you to take care of your parents – a change of roles and opportunity to pay them back for all those years they worked hard and took care of you. As POA, you can protect their best interests, fulfill their wishes and help them continue to live the life they deserve. Talk to your parents about putting a POA together to help them take control of their financial affairs and future.

NPF helps individuals and families manage wealth across every stage of life, including working with elderly parents and POAs. Importantly, we are fiduciaries who are obligated to protect the best interests of clients and can help you and your parents ensure clarity of goals and continuity of financial planning and investment management.

Please reach out to discuss how NPF can help to protect your family's wealth and legacy.

