

# The importance of Power of Attorney

What happens when you are unable to manage your financial affairs? By Rosalind Stone (submitted by Debi Godwin, Director, Independent Executor & Trust)

While most of us are aware of the importance of having a Will to take care of our finances and assets after death, many people fail to see the importance of drawing up a document of power-of-attorney. Should you become disabled, or mentally incapacitated, or even suffer a long-term illness or injury and be unable to manage your own financial affairs, someone needs to be in a position to pay your bills — bond, credit cards, electricity and, perhaps most importantly, healthcare. Without this, bills may go unpaid for several months while the legal system makes a decision on your behalf, and appoints a guardian of your affairs.

You might assume that your spouse or nearest and dearest would automatically take up this position, but without a power-of-attorney document, they would not have the legal standing to do so. Both you and your spouse should have separate power-of-attorney documents drawn up and updated every few years. (You might decide that the person you previously appointed is no longer appropriate or willing, or trustworthy!)

The power of attorney can be given to one or more individuals — friend or family — or to your bankers, firm of accountants, financial advisor etc. Bear in mind that their duties and responsibilities may be considerable and they should therefore

have a good knowledge and understanding of the legalities, and the time to carry out the duties efficiently.

In appointing a power-of-attorney, there are a few things that you should know.

1. **Limited Power-Of-Attorney** — gives an individual rights over certain of your investments, such as your current cheque account. This can normally be done by signing a simple form with your bankers.

2. **Complete or General Power-Of-Attorney** — gives the individual the right to make decisions regarding all of your assets (and liabilities).

Remember that a Power-Of-Attorney takes effect immediately, the moment it has been signed! So even if you are still in good health and mentally alert, the individual has access to all your money! For that reason you need to be absolutely sure of their trustworthiness, or appoint a joint power-of-attorney. There are many tales of trusted friends drawing huge amounts from an account whilst their friend languished in hospital! The document remains valid until it is formally cancelled — remember this if you have appointed someone to take care of your affairs while you go on a world cruise, and make a note to cancel it on your return. ■



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