

# Financial Power of Attorney Explained

## What is Financial Power of Attorney (FPoA)?

In a nutshell, a financial power of attorney (FPoA) is a document in which you appoint a trusted person to act on your behalf to make financial decisions. Depending on the state where you live, it can also be called a Durable Power of Attorney or General Power of Attorney. However, they all include similar functionality as described below

## How Does FPoA Work?

In establishing a FPoA, you hand over the legal reins to another person to conduct financial transactions, sign documents, or make other legal decisions as if they were you. Your trusted person, **the agent**, sometimes called an attorney-in-fact or fiduciary, can manage your financial affairs on your behalf.

When your agent is allowed to act for you depends on the state where you live and whether you made your preference known in the FPoA that you signed. Certain states require that you be incapacitated or disabled before your agent can start acting. Other states, like Florida, require your FPoA to have immediate effect, even if you have a different preference. Most states will give you the choice, but specify a default option unless you override the default in the FPoA itself. Review your FPoA closely if this is important to you.

You will need to use a second document, called an Advance Health Care Directive (sometimes known as health care proxy or health care power of attorney), to designate who should handle all of your medical decisions. There are several types of FPoA, so consider the specific needs of your estate before selecting one.



## Durable Power of Attorney

The type of FPoA most commonly used in estate planning is a durable power of attorney. “Durable” indicates that your agent has your permission to act on your behalf even though you are incapacitated or disabled. In other words, the FPoA is effective until you either revoke the document or have passed away.

You can spell out your agent’s powers, responsibilities and restrictions in the FPoA. The powers vary from state to state but usually include the ability to:

- Sell or manage property and real estate
- Sign legal documents and checks
- Manage personal and business-related financial accounts
- Pay medical bills (but not make healthcare decisions)
- File taxes and settle claims on your behalf
- Hire professional assistance, such as a lawyer or advisor

## Non-Durable Financial Power of Attorney

When an FPoA is not “durable,” your agent’s powers end when you become incapacitated or disabled. In other words, you want to supervise your agent’s use of the FPoA powers. This can be a good option for transactions that are not driven by estate planning needs. For example, you might grant your advisor a non-durable FPoA to conduct time-sensitive trades on your behalf.

In addition, you may be comfortable allowing your agent to change your estate plan or the rights of your beneficiaries; because these are such sensitive powers, in most states, you must affirmatively grant each estate planning power.

## Why Include FPoA in Your Estate Plan?

A complete estate plan should provide not only for death, but incapacity and unavailability. Putting a FPoA in place allows someone to continue managing your financial affairs if you cannot sign important documents yourself in case of emergency, a routine surgery, or even travel abroad.

Keep in mind that to complete your FPoA, it must be signed in accordance with your specific state's requirements, which might mean signing before a notary public or witness(es).

The wealth.com platform makes it straightforward to get your Financial Power of Attorney drafted and securely stored in our Vault, and provides state-specific guidance on how to fill out and sign your FPoA.

**\*Disclaimer:** wealth.com is not a law firm and is not practicing law. That said, our platform is maintained with care by attorneys who used to practice at the top trust & estate law firms in the U.S. so you can be sure each legal document created with Wealth.com is of the highest quality and is legally valid and optimized for its state, covering all 50 of the United States and Washington D.C.