

INVESTORINFO



Power of Attorney and Your Investments

A POA is a legal document you sign to grant someone you trust with authority to make decisions on your behalf. Based on the authority you grant, this attorney-in-fact, or agent, has the legal right to make the decisions you would make if you were able. Many states require that POA documents be in writing, witnessed and notarized.

A POA can be important—even essential—to managing your financial affairs in the event you unexpectedly become unable to manage things on your own. For example, a health issue might land you in a hospital or rehabilitation center for a lengthy period, or you could become mentally incapacitated.

Who's Who

- ▶ **PRINCIPAL** – The person granting the POA.
- ▶ **AGENT** – The person to whom POA is granted, also called attorney-in-fact.

Types of POAs

- ▶ **DURABLE** – stays in effect throughout the principal's lifetime, even if he/she becomes incapacitated.
- ▶ **SPRINGING** – “springs” into effect when a specific event occurs, such as when the principal hits a certain age or becomes mentally incapacitated.
- ▶ **LIMITED** – restricts authority to specific activities and may also specify when authority will begin and end. Automatically revoked upon incapacitation.

POWER OF ATTORNEY TIPS

- **Don't Let Anyone Pressure You Into Signing a POA**

Always be cautious when giving someone control over your money, and never feel pressured or coerced into signing a POA. Take your time, and choose wisely.

- **Select an Agent You Trust**

Choose someone you trust completely. Your agent should understand your short- and long-term investment goals and objectives, including how you plan to financially support yourself and your family in the future. The person you name as your agent does not need to be an actual attorney. Consider naming at least one alternate or successor agent in your POA who can step in if your agent is unwilling or unable to continue, or if fraudulent activity by your agent is suspected. You could also consider naming a POA monitor—someone who would ensure the POA is operating as you envisioned.

- **Be Specific About the Authority You Are Granting**

A POA should spell out the type of authority you grant to your agent, what you still want to control, and how long the POA designation will last. The authority granted in a POA can include anything from limited trading authority to total control over decisions related to your finances. Carefully consider whether to grant your agent authority to designate beneficiaries for you, or whether your agent will be named as a beneficiary. Be sure that the POA explicitly excludes anything that you do not want your agent to control, such as the ability to change beneficiaries.

WHO IS FINRA?

FINRA oversees the professionals and firms that sell stocks, bonds, mutual funds and other securities products. As regulators, we can't recommend any particular firm, individual or type of investment professional. Our goal is to equip—and empower—you to weigh your options.



- **Make Your POA Durable**

A durable POA remains in effect even if you become incapacitated and provides clarity if you are unexpectedly not in a position to manage your finances.

Without a durable POA, a court may have to appoint someone to act for you—often referred to as a guardian or conservator. Once a court gets involved, you may not have a say in who is chosen to make decisions about your accounts.

- **Check the POA Requirements for Your State**

The laws governing POA vary by state. Understand the applicable laws, both where you live, and where you hold investment accounts. Many states have POA information on their [official websites](#). You may also wish to contact an estate-planning attorney.

- **Find Out if Your Financial Institution Has Its Own POA Forms**

Many financial institutions have their own POA forms. If you don't use the forms your firm provides, they may ask you to provide additional information to establish the validity of your POA. Though many states require that a POA be honored as long as it complies with applicable law, you may have to get a court order to prove it. You may want to request that your financial institution inform you if it receives a POA, guardianship or other similar documents relating to your accounts.

- **Know How To Change or Revoke Your POA**

You have the right to revoke or change your POA at any time and for any reason, as long as you have not become mentally incapacitated. Check with your state regarding its rules related to POA change and revocation.

If you decide to change or revoke your POA, in addition to your agent, you will need to inform your financial institutions and any other parties that may rely on it, as soon as possible. If your financial institutions do not receive notice of such changes, they may reasonably rely on a previously valid POA, and you can be bound by the actions of your agent.



POA POINTERS

1. Before signing a POA, contact other professionals to get a second opinion, such as your lawyer and financial professional, and discuss your objectives and concerns.
2. Notarize EACH page of the POA document.
3. Structure the document so that individual pages may not be easily replaced, i.e., try not to end a section, paragraph or sentence at the end of a page.
4. Sign more than one original of your POA. Financial firms typically ask for an original copy of your POA with your signature. If the original is not available, you may be asked to provide an affidavit that the original is not available and a certified copy of the original can be accepted.

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www.finra.org/investors

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