

Facts About Powers of Attorney

Everybody should have a power of attorney. But not everybody knows exactly what it is or why it's so important.

A power of attorney is a legal document that empowers a person you trust to handle your financial affairs if and when you become incapacitated. While you're up and around, the document just sits in a file. But if you're in an accident, where suddenly you can't act on your own behalf, the document allows somebody else to make decisions on your behalf—usually temporarily, until you can start handling your own affairs again. At that point, the document goes back in the file, and you're back in charge.

There are several flavors. What is called a Limited Power of Attorney is used when you want someone to act on your behalf only in a certain circumstance. A General Power of Attorney is more powerful because you're giving someone else the power to act on your behalf whenever you're unable to manage your own affairs on your own. But either way, when the power of attorney is triggered, it can be used for all legal and financial matters.

Who would draw up this important document? You should consult an attorney; many of them will have a template document that they can modify to your specific circumstances. The key is finding a person you really trust to handle things on your behalf—and then hope you never need them to.

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