

Incapacity: Planning ahead helps



The Cornerstone of
Financial Independence
is Not the Privilege of the Rich...

It's a Plan of the Wise[®]

Accidents and aging are a part of life. Like an up-to-date Will, a power of attorney is an important tool in financial and estate planning. Planning ahead in case of serious disability or health problems allows decision-making relating to property or personal care to proceed without unnecessary disruption.

What is a Power of Attorney?

A Will gives an executor or liquidator the authority to manage someone's affairs after death, whereas a power of attorney gives the person named (called an "attorney", "donee" or, in Quebec, a "mandatory") the power to make decisions on your behalf while you (the donor) are still alive. These decisions can be financial or, where provincial law permits, personal in nature, or both.

A power of attorney is usually established as part of an estate plan when a Will is being reviewed.

Quebec Residents: *The province of Quebec follows laws set out under the Civil code of Quebec. This differs from the other provinces in Canada which are governed by common law principles and provincial statutes. Generally, the principles of powers of attorney (called mandates in Quebec) are similar in all provinces; however, there are some aspects in which both the method of implementation and the terms used differ, and should be noted.*

What is a Power of Attorney for Property?

A power of attorney for property can be limited or general in nature. The attorney can be restricted in authority to, for example, sell only certain securities, or conduct banking activities only while the donor is out of the country. Most financial institutions use a standard "stock power of attorney" when accepting share certificates on behalf of a client.

This document limits the power to the specific shares described. A general power of attorney will have no restrictions on the scope of financial matters with which the attorney may deal. An individual who is regularly out of the jurisdiction where his or her assets are located, or who anticipates diminished capacity due to age or illness would likely opt for a general power of attorney.

Where provincial law permits, powers of attorney for property can be continuing (or durable), meaning that they will still remain in effect if you become mentally incapable. If you do not have a continuing power of attorney and you become incompetent, your family or friends could be faced with a time-consuming and expensive legal process to get the authority to manage your financial affairs.

What is a Power of Attorney for Personal Care?

In those jurisdictions where it is recognized, a power of attorney for personal care ensures that someone is authorized and prepared to make decisions of a personal nature on your behalf should you become incapacitated. Unlike a power of attorney for property, this power of attorney comes into effect only on your incapacity.

You can appoint as your attorney for personal care the same person as your attorney for property, or you may name someone else. Depending on the province you live in, decisions about where you would live, what you would eat, or medical treatment you would receive would be the responsibility of your attorney for personal care. In some provinces, you can appoint a substitute decision-maker only for medical decisions.



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What is a Living Will?

A living Will (sometimes known as an advance health care directive) may be included in a power of attorney for personal care; however, it is often written as a separate document. A living will provides instructions about the type and intensity of medical treatment a person wants to receive (or not receive) if he or she is incapable of making the decision.

Initially restricted to cases of a terminal illness or incurable condition, more recent versions have a broader scope, including the acceptable range of medical procedures.

Living wills tend to be completed primarily for guidance to the individual authorized to make medical decisions for an incapable person. They are not recognized in all jurisdictions.

Whom should I choose to be my attorney?

Although the individual appointed under a power of attorney is called an "attorney," he/she need not be a lawyer. Many people name a spouse or adult child, or someone close to them. Attorneys must understand what their responsibilities are and be able to manage the affairs for which they may become responsible.

It is important that you give careful thought to who can control your assets and well-being.

Your attorney should be someone you completely trust, and who you know will act in your best interest. You can have more than one attorney, but if you do, you should clearly detail whether they must act together, by majority rule, or on an individual basis.

If possible, it is advisable to appoint an attorney for property who is knowledgeable in financial matters, or who will know when to get professional help.

It's a good idea to talk to whomever you plan to appoint to make sure that person is willing and able to assume this responsibility. Make sure you and your proposed attorney discuss the matter of compensation, and incorporate your joint understanding into the power of attorney document.

Giving power of attorney to someone does not always take away your power to act personally, (subject to any limitation contained in the document relating to your mental condition). It does, however, authorize the attorney to share that power in the case of property, but not for medical care (as the power of attorney comes into effect only upon your incapacity).

What does a Power of Attorney document look like?

The forms for power of attorney are designed according to the applicable provincial legislation.

All documents include: .

- The name of the donor
- The name of the attorney
- The witnessed signature of the donor
- The specific authority being given

As with a will, the donor must be mentally competent, or "of sound mind" according to the criteria set out in provincial statutes when the power of attorney is signed. Persons whose mental faculties are failing must have chosen an attorney to act on their behalf and have executed a power of attorney while still competent. They will not have a choice about who will act on their behalf if they leave this decision too late.

In the province of Quebec: Two separate powers of attorney, commonly known as mandates, may be required, one that is effective while the donor is capable, and one for if the donor becomes incapacitated.

Why is legal advice so important?

To minimize any legal challenges later on, a lawyer should be consulted to draw up a power of attorney at a time when a donor's mental abilities are unquestioned. If there is any doubt, it is wise to have a doctor or other qualified person assess the capacity of the donor before executing the power of attorney. A lawyer can also assist the donor in understanding the uses to which a power of attorney can be put, and in the case of a power of attorney for property, appreciating the authority another person will be able to exercise regarding the donor's financial decisions.

What is the role of the public trustee?

It is a misconception that the government is waiting to take over your assets whenever possible. In some cases, the Office of the Public Guardian and Trustee (or the provincial variation of this Office) will manage an individual's assets and property if the individual is incapable of doing so personally but has not signed a power of attorney.

Even then, in Ontario, a family member can apply to the public trustee to be appointed as statutory guardian, attorney or representative. Other provinces have similar roles, but a legal adviser should be consulted in your jurisdiction about the details of the legislation.

The public trustee assesses all applications and may require even close family members to post bond or security and file a management plan that will in turn be monitored by the public trustee. The public trustee will step in as required, and can take possession of and make decisions about bank accounts, bonds and all other assets without consulting family members. The decisions made may not be the decisions preferred by an individual or that individual's family members, so it is always better to plan ahead and draw up a power of attorney.

Mandate given in anticipation of incapacity (The Quebec Situation)

Under the Civil Code of Quebec, an individual, called the mandator, can name another person or a trust company as the mandatory to make decisions on his/her behalf if mental incompetence occurs. The mandatory must apply to the courts to certify the mandator's incapacity before the mandate can become effective. This application will require a psychological and medical assessment of the mandator.

A single mandate document can be used to empower the mandatory regarding the mandator's finances, personal care, health care directives or living will and/or organ donation instructions.

Are there Alternatives to Powers of Attorney for Property?

JOINT ACCOUNTS WITH RIGHT OF SURVIVORSHIP (*NOT RECOGNIZED IN QUEBEC)

Bank and/or investment accounts held in joint name with your spouse (or other trusted person) may reduce the need for a power of attorney, as long as they are set up so that either party can sign or complete transactions. This does not mean that a general power of attorney for property is never necessary. It is not always a good idea, simply to avoid giving a power of attorney, to give someone full access to your accounts - including the ability to withdraw all funds.

If you own individually held, or jointly held assets like real estate, for example, you will still need to consider giving each other power of attorney so that transactions can take place if either of you becomes incapable. Other unexpected situations may arise when you may need someone else to act on your behalf. Depending on your ages and health, it might be advisable for each of you to consider having a power of attorney naming a third party to manage your affairs if both of you become mentally incapable, or one of you should die. You and your advisor should discuss the tax and legal consequences of transferring assets to joint ownership.

REVOCABLE TRUSTS

A revocable intervivos trust can be used in place of a power of attorney. This type of trust is created during an individual's lifetime, and is a trust under which the individual has retained the power to end the trust and demand that the trustee return the property to his/her. Some elderly individuals create a revocable intervivos trust when they no longer wish to personally manage their assets, or in anticipation of a period of time when they may be unable to do so (e.g., when faced with a lengthy recuperation). These clients can demand the return of the assets if they wish to do so in the future. Unlike a power of attorney for property, the transfer of assets to a trustee of a revocable intervivos trust does involve giving up title to those assets (at least until the trust is revoked).

There are tax implications connected to this alternative that should be discussed with a legal adviser.

Conclusion: A power of attorney is only one aspect of a comprehensive estate plan. Legislation is continually changing, so a review of your powers of attorney and your Will are strongly recommended. You should consult a lawyer in the appropriate jurisdiction before executing any of these documents

GETTING ADVICE:

All Power of Attorney's requires careful planning to ensure all essential matters are covered. It should also be reviewed periodically and discussed with a qualified adviser or team of advisers to incorporate any changes in your personal circumstances.

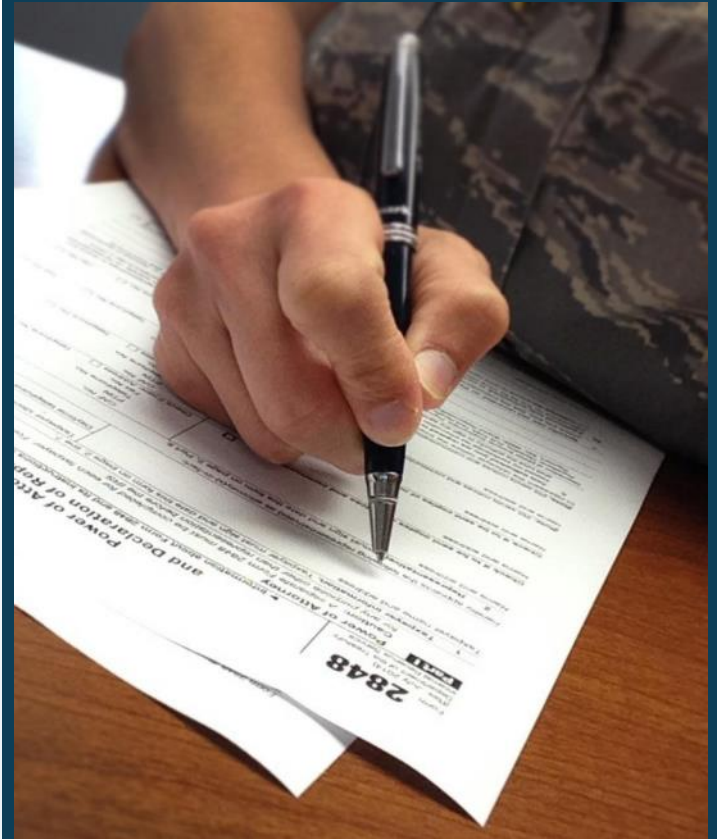
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The comments in this document are not intended, nor should they be relied upon, to replace specific professional advice.

Before acting on material contained herein.

Readers should seek advice that is appropriate to their personal circumstances from a professional advisor.

We gratefully acknowledge the contribution of this article from Trimark Investment Management Inc.



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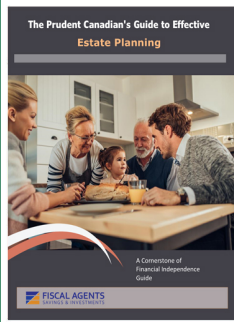
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A Cornerstone® Estate Planning Report

Estate Planning



The Prudent Canadian's Guide to Effective Estate Planning

The essence of estate planning is thinking about the future, and developing a program to create, preserve, and transfer assets. Estate planning is about life - now and in the future. Most importantly, it's about the life of your family and loved ones, and the peace of mind that comes with ensuring their financial security.

Estate Planning



Why You Need an Estate Plan: 10 Simple Steps

Getting started with Estate Planning can seem like a daunting task. Inside this document you'll find the process broken down into steps - from selecting professionals to hire, setting up a balance sheet, understanding the role of insurance and more.

Estate Planning



Estate Matter: The Place to Start

For most people, estate planning is a difficult subject to discuss and to plan for, because it forces us to come to terms with our own mortality.

Yet it is something you need to discuss openly with your loved ones today, because you can't do so after you're gone.

Estate Planning



Estate Planning: Being an Executor What are your responsibilities & obligations?

Being named as an executor of an estate is a big undertaking requiring a considerable amount of time and knowledge. You have been entrusted to handle the financial affairs of the deceased in their absence and owe it to them to make sure you know what is required of you.

Retirement Planning



Financial planning your Retirement: How do you get started?

No matter what your age or stage of life, you should have some form of financial plan for retirement. It's said that financial planning for retirement should be a career long process, and the longer you are able to set money aside for retirement, the more compound interest will work for you.

Retirement Planning



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General Interest



Financial Independence Checklist

Experience has shown there are six key principles to financial independence. Those who adhere to them are more likely to succeed. Those who don't jeopardize their chances at financial independence. In this document we describe the six principles in detail, and provide a brief explanation on how you can apply them to your situation.

General Interest

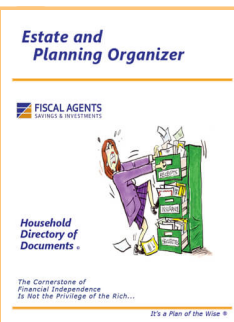


Planning for your children's future

In today's hectic world, planning plays an important role in the way we live our lives. From major decisions to relatively minor issues, planning is what makes our lives run smoothly.

We often put off tackling the chore of making the most important choices: Planning for our future and the futures of our children.

Reference Guides



Estate and Planning Organizer: Household Directory of Documents

A useful tool for anyone who understands the importance of keeping clear and concise records that, when completed, will be invaluable to you, your family members and loved ones, as well as to the executors of your estate.

This publication is completely interactive - you can add or update information to it whenever you like.

Reference Guides



Jargon Buster: Glossary of Financial Terms

Designed for both the finance professional and the money market novice, with over 1,200 concise definitions of relevant terms used in the financial industry, the Jargon Buster touches on almost every facet of finance, investment and savings in a manner that is clear and easy to understand.