

Financial **EXCHANGE**

Questions? - We invite your participation. Send inquiries to: financialexchangefeedback@manulifesecurities.ca

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If a disease such as Alzheimer's, which impacts mental abilities, affects your parent, he or she may be unable to make decisions for him or herself. Consequently, someone, usually a family member or members, will have to take over that responsibility. This will be done with a Power of Attorney (POA). A Power of Attorney that deals with a person's financial af-

The Need For Continuing Power of Attorney

airs is a Power of Attorney for Property. In addition, a Power of Attorney for Personal Care, sometimes known as a Living Will or Health Care Directive, deals with a person's health care. It is advisable to consult with a lawyer to ensure that it is structured properly and all legal issues have been considered. A Power of Attorney (POA) is a legal document that gives someone the right to act (as an attorney) in another person's place. A general POA is a very powerful document which allows the attorney to do almost anything that the person granting it was able to do. For example, the attorney could sell all the donor's investments, or sell his

or her house. When a general POA is granted, it is assumed that the donor has the mental capacity to do so. Ordinarily, the powers granted would cease if the donor became mentally incapacitated. Therefore, if the POA is being established in the anticipation of the donor's later mental incapacity, it is very important that it is structured as a Continuing or Enduring POA. This will ensure that the powers granted to the attorney will continue if the donor is no longer capable of making his or her own decisions.

Ideally, to deal with a parent's situation effectively there should be a Continuing POA for Property

as well as a Continuing POA for Personal Care. One person (at least 16 years of age) can be named as the attorney or it can be joint situation. Generally, the POA becomes effective when a competent health care provider decides that the individual is no longer able to make his or her own decisions.

A Continuing POA for Personal Care is an important document as it gives the attorney the power to make decisions regarding the medical treatment of the person when he or she is unable. Some of the issues that can be addressed by the attorney are hospice care, change of physicians, and use of experimental drugs, nutrition, and the

use of heroic measures to prolong life. The advantage of having a Continuing POA for Personal Care in place is the ability to make health care decisions in a timely way. In the absence of this arrangement the concept of patient/doctor confidentiality may mean that you may not be able to determine all the facts about your parent's situation and cannot make decisions effectively. If these Powers of Attorney are not currently in place, now is the time to have that conversation.

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Until 2009, many Canadians held their savings in RRSPs where they could claim a deduction for their contributions and then defer tax on their withdrawals until retirement. Starting January 1, 2009, an additional savings vehicle called a Tax-Free Savings Account (TFSA) became available to Canadians. Whether you are saving for the short-term (0-5 years) or for the

Tax-Free Savings Account (TFSA) – The Facts

longer term (6 years and beyond) a TFSA can be a valuable addition to your financial plan.

Here are several things to know about the TFSA:

-The Tax-Free Savings Account (TFSA) has been available in Canada since January 1, 2009.

-You can open a TFSA if you're 18 years of age and are a Canadian resident.

-The TFSA lets you invest while not being taxed on interest or any investment earnings.

-The contribution limit for 2009 was \$5,000. After 2009 the annual contribution is indexed to the inflation rate, rounded to the nearest

\$500. For 2010 and 2011, the contribution limit remains at \$5,000.

-The Government will determine the amount remaining for you to contribute to your TFSA the following year. Any unused contribution room gets carried over to the next year.

-If you make a withdrawal, the amount withdrawn will be added to the contribution room available for the following year.

-You can have more than one TFSA, including TFSA's with other financial institutions. The important thing is to remember how much you've contributed in total, and make sure you don't exceed your

contribution room.

-You cannot hold a TFSA jointly; you must hold it individually.

-Unlike an RRSP, you don't pay tax on any money you withdraw from the TFSA. Withdrawals also don't affect your ability to qualify for Federal Benefits such as the Child Tax Benefit or Old-age Security.

-You can invest in GICs, mutual funds, bonds, equities.

-Money invested in a TFSA cannot be deducted from your income on your tax return; only contributions to a RRSP qualify as a deduction.

-If you have a spouse at the time of your death, the TFSA can continue on a tax free basis if your spouse

becomes the successor holder.

When used to its full advantage, a TFSA can be a powerful tool to save money in a tax-free environment. For more information on how you can benefit from a TFSA, and how it fits into your financial picture, please feel free to contact me.

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