



Powers of Attorney for Investment Accounts in Canada

By Wei Woo

Why Planning Ahead Matters

As Canadians live longer, many face the question of how their finances will be managed if they become unable to do so themselves. A Power of Attorney (POA) is a legal document that lets you appoint someone you trust to manage your financial affairs, including investment accounts. It ensures your money continues to be managed according to your wishes if illness, injury, or cognitive decline prevents you from acting on your own.

Without a POA, even close family members cannot access your investments or pay your bills if you become incapacitated. They would need to apply to the courts for authority—an expensive and time-consuming process that adds stress during an already difficult time.

Preparing a POA early also allows you to clearly define who can act, under what circumstances, and how decisions should be made. This proactive step keeps you in control of your financial future and provides reassurance to those you love.

The Difference Between Trading Authority and a Power of Attorney

A common source of confusion is the difference between trading authority (sometimes called “limited trading authorization”) and a Power of Attorney.

A trading authority is an internal form used at investment firms to allow someone—such as a spouse or family member—to place buy and sell orders on your account. It provides convenience but very limited access. The authorized trader can execute transactions but cannot withdraw money, transfer assets, or make administrative changes to the account. You remain the sole owner and decision-maker, and you can revoke that permission at any time.

By contrast, a Power of Attorney for property or finances is a formal legal document. Once properly executed, it gives your chosen “attorney” the authority to manage your financial affairs more broadly—trading, withdrawing funds, paying expenses, or transferring

investments if needed. A POA carries a fiduciary duty, meaning the person must act in your best interest and can be held legally accountable for misuse of funds.

Importantly, a trading authority typically becomes invalid if you lose mental capacity. A POA, when written as *enduring* or *continuing*, remains effective even if you become incapacitated. This makes the POA the essential document for long-term protection and access to your investment accounts.

Understanding Types of Powers of Attorney

Across Canada, terminology varies slightly by province, but the key categories are consistent.

1. General Power of Attorney – This authorizes someone to act on your behalf while you remain mentally capable. It's often used for convenience—such as when you travel or face short-term illness—but ends automatically if you lose capacity.
2. Enduring (or Continuing) Power of Attorney – This is the cornerstone of incapacity planning. It remains valid even if you lose mental capacity and can either take effect immediately upon signing or “spring” into effect later upon confirmation of incapacity by one or more doctors.
3. Springing Power of Attorney – A type of enduring POA that becomes active only when a triggering event occurs, usually a written statement by a physician that you are unable to manage your finances. It provides peace of mind to those who prefer not to grant immediate authority, but it can cause delays if medical confirmation is required before action is taken.
4. Limited or Specific Power of Attorney – Allows someone to perform only certain tasks or manage specific assets for a defined time. For example, you could authorize someone to manage a single investment account without granting authority over your other assets.
5. Joint or Multiple Attorneys – You may appoint two or more people to share responsibility. They can be required to act *jointly* (together) or *jointly and severally* (each can act alone). Joint arrangements add oversight but can slow decision-making if both signatures are needed on every transaction.

Whatever form you choose, your attorney must act in your best interest, keep proper records, and follow any limits or instructions written in the document. A lawyer can ensure the POA meets provincial legal requirements and reflects your wishes accurately.

What Happens When You Appoint Two Attorneys

Appointing more than one attorney can strengthen oversight but also adds complexity. When attorneys must act jointly, both must approve every transaction, providing extra control but also potential delays if they disagree or one is unavailable. When they can act jointly and severally, either may act independently, which offers flexibility but requires strong mutual trust.

Another approach is to name a primary attorney and a backup (alternate) who steps in only if the first cannot act. This ensures continuity while minimizing conflict. If you choose to name co-attorneys, discuss expectations and decision-making processes in advance, and consider including clear instructions for resolving disputes. The ultimate goal is smooth, cooperative management of your finances should you be unable to participate directly.

Common Misunderstandings About Powers of Attorney

Many Canadians misunderstand how POAs work, which can lead to confusion and costly mistakes.

- A Will is not a POA. Your Will takes effect only after death, while a Power of Attorney applies while you are alive and unable to act. Both documents are essential for a complete estate plan.
- Family members do not have automatic authority. Spouses or children cannot legally access your individual accounts without formal documentation.
- You don't lose control when you sign a POA. As long as you remain mentally capable, you can continue managing your own finances and revoke or change your POA at any time.
- Attorneys have limits. They cannot change your Will, name themselves as beneficiaries, or use your funds for personal benefit. Their duty is to act solely in your best interest.
- Bank forms or joint accounts are not substitutes. Limited authorizations at a single bank do not provide enduring authority across all your financial affairs, and joint accounts can create legal and tax risks.
- You can update your POA anytime. Regularly review the document—every few years or when circumstances change—to ensure your choices still make sense.

Understanding these principles helps ensure your POA functions exactly as intended and protects both you and your loved ones.

Why Bank Forms and Joint Accounts May Not Be Enough

It's common for people to rely on simple tools such as joint accounts or internal bank forms, thinking they're equivalent to a POA. While convenient, these methods have serious limitations.

Joint Accounts: Adding someone as a joint owner gives them legal ownership of your funds. This means your money could be exposed to their creditors, divorce settlements, or poor financial decisions. After your death, the surviving joint owner typically becomes the sole owner, which can unintentionally disinherit other beneficiaries. Joint ownership also removes the clear accountability that exists under a POA, since both owners have equal claim to the funds.

Bank Forms and Trading Authorizations: Many institutions offer their own authorization forms, but these typically apply only to that institution and often expire if you lose mental capacity. They allow trading or bill payments but not full financial management. Moreover, they don't provide legal protection if disputes arise.

In contrast, a properly drafted Power of Attorney provides consistent authority across all your financial institutions, with legal recognition in every province and clear fiduciary obligations. Your assets remain in your name, and your appointed attorney is bound by law to act for your benefit. For most Canadians, an enduring POA is the only tool that provides true continuity and protection for investments.

How Your Investment Advisor Can Help

Your investment advisor plays a vital role in ensuring your POA integrates smoothly with your overall financial plan. While advisors cannot draft legal documents, they can help in several important ways:

1. Initiating the Discussion – Advisors are often the first to notice when clients should start thinking about incapacity planning. They can explain why a POA is essential for investment continuity and suggest when to involve a lawyer.
2. Explaining Firm Procedures – Each financial institution has specific requirements for registering a POA. Your advisor can help you understand what documentation the firm needs (for example, notarized copies, identification for your attorney, or additional signatures).

3. Coordinating with Legal Professionals – Advisors can collaborate with your lawyer to ensure the POA's wording aligns with the structure of your investment accounts. This helps avoid situations where a valid POA cannot be used because the financial institution's internal policies require specific language.

4. Registering and Maintaining Your POA – Once your POA is complete, your advisor ensures it's properly recorded with your accounts so it's ready to use if needed. They can also review it periodically to confirm it remains current and accepted by the firm.

5. Protecting Clients from Abuse – Investment advisors are trained to detect red flags for financial exploitation. If a POA is in effect and an attorney begins making questionable withdrawals, your advisor can escalate concerns to the firm's compliance department. Many firms now encourage clients to name a Trusted Contact Person—a separate individual your advisor can reach out to if something appears amiss. This extra step complements, but does not replace, a POA.

6. Providing Peace of Mind – Discussing your POA with your advisor builds confidence that your financial plan will continue smoothly if you can't oversee it personally. They can help ensure your attorney understands your investment goals and risk tolerance, so your portfolio remains aligned with your long-term objectives.

Final Thoughts

Establishing a Power of Attorney for your investment accounts is one of the most important steps you can take to safeguard your financial future. It ensures continuity, avoids legal complications, and provides a trusted framework for decision-making if you are no longer able to manage things yourself.

The process is straightforward: speak with your lawyer to create a valid POA, discuss it with your investment advisor to ensure it aligns with your portfolio, and keep copies safely filed with your financial institutions. Review it regularly and make updates as life changes.

Most importantly, choose someone trustworthy, responsible, and financially capable to act on your behalf. With a proper Power of Attorney in place, you and your loved ones can focus on what matters most—knowing your investments and finances will always be managed with care and integrity, exactly as you intend.

If you want to explore post-retirement goals aimed at creating healthy and balanced financial strategies, please contact me at wwoo@researchcapital.com.

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