



# Managing Someone Else's Finances

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There may come a time when it is necessary to manage or help manage another person's finances. It may be that a relative has asked for help in managing financial tasks, or the courts appoint a financial guardian. A physical caregiver doesn't have any legal right to handle the other person's finances unless the caregiver is legally appointed as having that responsibility.

The one legally responsible for another person's money and property is called a "fiduciary." The person whose money is being managed is known as the "principal." A fiduciary is expected to manage the principal's money and property for the principal's benefit without regard to anyone else. There are four basic duties of a fiduciary:

1. act in the principal's best interest,
2. manage the principal's money and property carefully,
3. keep the principal's money and property separate from that of the fiduciary and
4. keep accurate records.

The fiduciary may or may not be the physical caregiver of the principal. The fiduciary must have a legal document called Financial Power of Attorney (FPOA) that gives the fiduciary a legal right to make financial decisions for the principal. The FPOA is a legal document drawn up by an attorney. The FPOA must be presented to the bank or other places the principal does business. Don't give away the original, but get several certified copies prepared. The fiduciary may also be known as the "agent" or "attorney-in-fact" for the principal.

The principal may manage personal money and property as long as he or she is still able to make decisions, unless the agent is court appointed. The principal can also cancel the authority of the fiduciary at any time. If the principal cancels the fiduciary's FPOA, the responsibility of the fiduciary ends at that time.

**Duty 1: Act in the principal's best interest.** A fiduciary must read the document outlining duties and follow what it says. Any authority is limited to what the document says and what the state laws allow. Understand when the FPOA becomes effective. It may be right away, or only when the principal becomes unable to make decisions. As much as possible, involve the principal in decisions about money and property. If the principal is not able to indicate what is wanted, try to find out by looking at past decisions and actions. Make decisions that put the principal's well-being above all other things. Make sure the principal is comfortable, safe and has their needs met.

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Avoid conflicts of interest. Don't borrow, loan or give the money to yourself or others. Don't change the principal's plans for how the money will be used after death. Don't pay yourself for the time spent acting as agent unless the FPOA or state law allows it.

According to the AARP, millions of older people are eligible for some type of government program to help pay for doctor visits, food, energy bills, property taxes and other expenses, but only about half of the people who qualify for help are getting it. If the principal doesn't have enough money to meet his or her basic needs, the fiduciary needs to look for these programs that might help. A benefits quick link to find these programs is: [www.aarp.org/cargiving/](http://www.aarp.org/cargiving/). For state-specific programs click on the "local resources and solutions" tab.

**Duty 2: Manage the money and property carefully.** Make a list of the money, property and debts. The fiduciary must protect the property. Valuables may need to go into a safe deposit box. Change the locks on the property, if needed and make sure the property is insured. Review bank and other financial statements carefully and make sure bank accounts are earning interest if possible and have low or no fees. Invest any money carefully, pay bills and taxes on time and cancel any insurance policies not needed. Take steps to collect debts owed to the principal and take copies of the POA to banks and other businesses or people with whom the principal does business. Find out if the principal is eligible for any financial or health care benefits from an employer or the government.

Help the principal apply for those benefits (disability, Social Security, Medicare, Medicaid, veteran's benefits, housing assistance, SNAP.) Use the National Council on Aging Benefits check-up at [www.benefitsCheckUp.org](http://www.benefitsCheckUp.org).

**Duty 3: Keep the principal's money and property separate from that of the fiduciary.** Don't have joint accounts with the principal. Keep the title to the principal's property in the principal's own name. Know how to sign as fiduciary. ("John Doe as agent for Mary Doe," never just "Mary Doe.") Pay all the principal's expenses from the funds of the principal, not the funds of the fiduciary. Reimbursing the fiduciary could look like unethical or illegal behavior and could be investigated at a later time.

**Duty 4: Keep accurate records.** Keep a detailed list of everything received or spent for the principal. Keep receipts and notes, even for small expenses. Avoid paying in cash. If payment must be cash, be sure to keep good notes and documentation. If being paid for fiduciary work, charge a reasonable fee and keep detailed records as to what work was done and how much time it took.

It is important for the fiduciary to watch for signs of financial exploitation or abuse of the principal. The principal may still control some funds and could be exploited. Signs of financial exploitation or abuse might include the following:

1. missing money or property or sudden changes in the principal's spending or savings;

2. making new or unusual gifts to family or others;
3. changing beneficiaries of a will, life insurance or retirement funds or having someone else handle the money;
4. acting fearful of a relative, caregiver or friend. If a relative, caregiver or friend keeps the principal from having visitors or phone calls and doesn't let them answer questions, there is a problem.

If exploitation is suspected, call adult protective services or a lawyer at once. If fiduciary responsibilities become uncomfortable, and the principal cannot name someone else to act, tell a trusted family member or a government agency such as adult protective services so a new fiduciary can be named. Managing someone else's finances is a responsibility that requires time and attention. Acting as a fiduciary in the best interest of another person takes careful observation, organization and awareness of resources. Being successful as a fiduciary means a lot to the principal who needs a trusted assistant.

## References

*Help for Agents Under a Power of Attorney*, CFPB publication, April 2015. [Consumerfinance.gov](http://Consumerfinance.gov)  
*Prepare to Care, a Planning Guide for Families*, AARP Foundation, [www.aarp.org/foundation](http://www.aarp.org/foundation)

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