



Planning for Beneficiaries With Mental Illness or Addiction

Practitioners must know the right questions to ask.



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Mental illness and addiction are vitally important topics that every estate planner should be familiar with in today's landscape. Unfortunately, these topics aren't discussed nearly enough, but the fact is, [one in five adults struggle with a mental health condition](#).

To put it another way, in a family of five, at least one person statistically will be living with a mental health condition. Estate planners need to be aware that this is a concern they need to plan for with many families, and mental illness isn't just an outlier condition. Have you witnessed the consequences of a family without a tailored estate plan where a beneficiary with mental illness or addiction is adversely affected by family wealth?

A Common Scenario

Many parents come into their estate planner's office and say something like, "I want to split everything evenly between my kids. I think that's fair." We all know the adage: fair isn't always equal, and equal isn't always fair. Dividing assets equally among children can come at a high cost, including, if improperly handled (for example, without a long term trust with appropriately selected trustee and necessary restrictions), in the worst case scenario, the loss of life. This is when knowledgeable estate

planners are critical. As a planner, how well prepared are you to address the challenges of families who enter into your office with complex needs? Do you know where to start and who else to bring on the team?

An Analogy

If one kid had a peanut allergy and the others didn't, would you give all of the kids peanuts or would you take peanuts away from all the kids? The answer to both questions, of course, is no. You would customize who gets peanuts and who doesn't based on their needs. As a loving parent, your client wants to make sure the best interests of their kids are protected.

Somehow when it comes to the estate planning of money and other meaningful assets, people seem to forget that money, just like peanuts, is a neutral agent until it has another party with which to interact. Money only fuels what already exists. If someone is impulsive, he may be impulsive with money and most likely blow through his whole inheritance at a rapid pace. If someone struggles with an addiction and is using drugs and/or alcohol, he'll spend whatever money you give him to buy drugs or alcohol. Although parents may have the best of intentions, if their children don't share the same intentions for the money they'll eventually receive, the parents' intentions and legacy could be destroyed instantaneously.

Discovery Questions

Much like the child with the peanut allergy receiving peanuts, a large, unmoderated amount of money given to an individual with mental illness or an addiction might end up destroying or killing him.

Here are some discovery questions an estate planner can ask clients:

- Does your child have the wherewithal to be able to plan for himself and use the financial endowment successfully to his own benefit?
- Does your child demonstrate the ability to budget and use money to further his own values and success?
- Does your child consistently make positive decisions in all areas of his life?
- Is there anyone in your family who's ill-prepared, or not prepared, to handle the wealth that he's going to inherit?
- If this were going to happen in the immediate future, and you had a family member that was going to receive a large sum of money, what would that look like?
- How might his inheritance sum impact this mental health or their addiction recovery, if he's in recovery?

- If that child is active in his addiction, how could it potentially put him in harm's way?
- If a family member of yours received an inheritance today, would you be concerned?
- Do you have concerns about any family members?

Bear in mind, clients may sweep these concerns under the rug when speaking with professionals. Families often feel a sense of shame or a fear of judgment when revealing this type of information. Other times, families are feeling joyful and excited to discuss the positive, impactful plans and intentions they have for their beneficiaries with the wealth they accumulated during their lifetime.

As an estate planner, your responsibility is to ask the meaningful and critical questions noted above to normalize and work in a family's best interest. When it comes to money, the high risk around the financial assets and someone in active addiction, continue to be mindful that it could potentially kill an individual or set him back if he receives too much money, too soon. That isn't an exaggeration.

Case Study

A 65-year-old woman was planning a bequest of her estate. She planned to distribute about \$10 million dollars to each child on her death. She was adamant she wanted to leave the money outright. Her estate planner was aware that one child struggled with bipolar disorder and a previous drug addiction. He advised the client to put the money into a trust with an institutional trustee who has the capabilities, experience and expertise to facilitate a positive outcome when the child inherited his portion of the \$10 million. The mom, still unsure, was able to hear from her other son's concern that his brother talked frequently about buying a quarter of a million dollar sports car. He worried his brother would be shot driving around in that car, reckless and unaware of the consequences of his own actions. Before making final decisions, the mom also consulted her other son's therapist to explore the impact a significant amount of money would have on his recovery and overall mental health and wellbeing. Ultimately, she heeded the warning of her son and estate planner and planned appropriately to protect the best interest and well being of her children, her legacy and her assets.

To often, this isn't the outcome. The benefactor might name a family member who's ill equipped for the abuse that will come from the child/beneficiary who has mental health or addiction issues. In planning for clients with small or large amounts of money, practitioners should be aware of the dangers of the client naming a family member as trustee. When that family member gets their 15th phone call at four in the morning, screaming, cursing, hollering and threatening to kill somebody,

that family member may just give the kid all the money and be done with it. It also causes a greater rift in family relationships as power dynamics are heightened in already strained relationships.

Tailor Solution to Each Individual

Recovery looks different for everyone. Preserving autonomy in mentally stable individuals with a history of addiction or mental illness is something to be considered. It's very easy to have an heir whose doing fine to be a co-trustee alongside an institutional trustee or an independent trustee and for the child who needs the monitoring to have an institutional trustee. If a client can't afford a trustee for all children, or the amount of money is small (around a few hundred thousand dollars), there are other available options.

One of the techniques that can be used for bequests of small amounts of money is allowing the will to provide for a purchase, on the benefactor's death, of an immediate annuity on death that's non-cancelable. In effect, the individual with the mental health or addiction concern will receive a quarterly check every year for the rest of his life and can't get more than that no matter what he does.

The reality is that the clients who are seeking to create estate plans love their children, or other heirs, and that's why they build their wealth. It's important for estate planners to be understanding of these different issues around addiction and mental health so that the legacy and intentions of their clients flow through to the next generation. As an estate planner, it's crucial to understand that you alone may not have complete knowledge to meet all the needs of the family. Including a mental health professional can support a planner to anticipate and adequately prepare for the blind spots along with the common scenarios in populations impacted by mental illness and addiction.