When an Adult Child Has a Crisis: How an Emergency Can Reshape Your Estate Plan

You never stop being a parent. Even when your child reaches adulthood, they are always in your thoughts—and, in many cases, your estate plan.

There may be times when your adult children need you just as much—or more—than they did while growing up. If they are suddenly facing a disability, chronic illness, substance use disorder, mental health condition, or financial crisis such as bankruptcy, you will very likely want to be there for them. Helping them through a crisis, however, may require a different kind of support than it once did—one that protects both their future and yours.

Changing Circumstances

Parenting often involves a delicate balance between encouraging independence and stepping in when safety or well-being requires support. That same kind of careful judgment can apply to your estate plan when an adult child experiences a serious personal crisis or emergency.

If your child's circumstances change in a way that could significantly affect their stability, decision-making, relationships, or financial security, your estate plan may need to change as well. Without thoughtful updates, a plan that once made sense may no longer reflect your family's new reality or provide the protection your child now needs.

Reconsidering Direct Inheritance

Leaving money directly to your adult child in the form of a lump-sum inheritance may make sense in some cases. However, you may want to reconsider a direct inheritance if your child experiences a significant personal or financial crisis or a dramatic life change. An estate plan that is not adjusted to account for these new pressures can unintentionally make a bad situation worse.

- **Potential financial mismanagement.** A large, unconditional windfall is rarely a stabilizer. Lacking any legal guardrails, a lump-sum inheritance may be rapidly depleted through impulsive spending, poor financial decisions, or the influence of predatory individuals who may take advantage of your adult child's vulnerable situation.
- **The risk of losing eligibility for government benefits.** A direct inheritance can also undermine benefits for an adult child who relies on programs such as Supplemental Security Income (SSI) or Medicaid for their long-term care or housing. These programs have strict asset limits. Receiving even a modest inheritance can immediately disqualify your child from essential coverage.

Protective Planning Tools

To avoid a direct inheritance, parents can structure wealth transfers in a more measured way that preserves assets and keeps them from being depleted by the pressures of a crisis.

- **Special needs trust (SNT).** This type of trust, designed specifically for individuals facing chronic illness or disabilities, allows you to improve your child's quality of life—covering qualifying expenses such as private nursing, specialized equipment, or travel—while maintaining eligibility for vital needs-based government programs.
- **Lifetime asset protection trust.** Instead of distributing an inheritance in large sums, the assets remain inside a trust for the adult child's lifetime. This structure creates a

permanent barrier that protects their inheritance from outside threats, including potential lawsuits, bankruptcy filings, and claims from a future divorce.

- **Incentive trust.** An incentive-based trust lets you condition distributions on your child's reaching specific, verifiable milestones. In cases involving substance use or financial instability, such conditions could include maintaining sobriety for a set period, completing a rehabilitation program, or remaining employed. A gift structured this way can help reinforce positive habits and provide support while maintaining accountability.

Planning for Decision-Making Authority

Protecting your adult child's financial security is only half the challenge. A crisis that leaves them unable to manage their own affairs could leave you unable to speak on their behalf legally or medically. From talking to your child's doctor to managing their bank account, your status as a parent does not automatically give you legal authority after your child turns 18.

- **Establish cooperative authority.** If your child retains the capacity to understand and sign documents, they can execute a *durable power of attorney* (which authorizes you to manage their finances) and a *medical power of attorney* (which authorizes you to make medical decisions on their behalf), giving you the legal authority to manage their finances and medical care without going to court.
- **Evaluate court-ordered protection.** In cases where a child is fully incapacitated and cannot sign legal documents, it may be necessary to petition for guardianship or conservatorship. This formal, court-supervised process grants you the legal right to make decisions for a child who can no longer make them for themselves.
- **Secure backup advocates.** Because your child may need support that lasts longer than your own lifetime, your estate plan should name *successor* (backup) advocates, such as a trusted individual or professional, to take your place if you become unable to serve as their voice.

Keep a Child's Crisis from Breaking Your Plan

Every family faces a crisis differently, but how well they navigate it often depends on how well they have prepared. Change is inevitable, and much of it is beyond your control. What you can control is whether your estate plan is prepared to respond when life changes.

We can help you identify where your current plan may be vulnerable and make thoughtful updates that protect your family, preserve your intentions, and provide clarity before a crisis forces the issue.