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# Get your Game Plan: Building Wealth for Professional Athletes

Understanding potential pitfalls and engaging the right experts are critical to a professional athlete's success with newfound wealth.

Stories of professional athletes facing bankruptcy permeate the news. The majority will face financial hardship even though they are, for a short time, among the nation's top income earners. According to a popular 2009 Sports Illustrated article, 78 percent of NFL players file for bankruptcy or experience financial hardship within 24 months after their contracts expire. The National Bureau of Economic Research reports in 2015 that one in six professional football players goes bankrupt within 12 years of leaving the league.

The average NFL salary was \$1.9 million, while the average career length is 3.5 years, according to a September 2013 study. This is low compared to the average NBA player who earns \$5.15 million a year and whose average career lasts 4.8 years. Although career earnings may easily be \$6 to \$20 million, these players are just as likely to file for bankruptcy as their peers whose earnings are less by many orders of magnitude. If players' earnings are in the millions, why are they no more likely to experience financial stability, not to mention a fully-funded retirement?

## Unique Profile of the Elite Athlete

Professional athletes, like other recipients of windfall wealth, face a unique set of challenges. And, unlike some recipients of sudden money, like lottery winners and inheritors, athletes bring a unique set of characteristics to the financial field. Let's look at hockey players, for example. Less than 1% of all divisional college hockey players will play in the National Hockey League, according to a study by Inside Higher Education in January 2015. These professional athletes have already beaten the odds. They have competed and won, under pressure and over time. Professional athletes believe in their own greatness and take risks to get there. They must, or they will not succeed.

The danger comes when athletes use the very traits that enable their athletic success – focus on the present, belief in themselves, and a certain invincibility – to make financial decisions. Researchers have found significant differences in the way athletes and non-athletes are “hard-wired” across characteristics such as inhibition, emotionality, and aggressiveness. Each of these benefits the athlete on the field and hinders performance in the markets. Furthermore, players are competitive. This competition occurs both on and off the field – they may spur each other on with trophy purchases, “can't miss” investments, and risky ventures.

# Windfall Wealth: The Game Changer

Let's look at a few of the challenges of windfall wealth up close:

## Limited experience

Professional athletes have developed extreme experience within their sport but they likely have limited experience handling money or financial affairs. Like other young adults, they may not have investment accounts or understand the basics of budgeting, managing credit, or making long-term financial decisions. Financial mistakes have bigger consequences for professional athletes for two reasons. First, they are made with bigger dollars. Second, a professional athlete has a compressed earnings window and a shorter time to make up for delays. Let's look at an NHL player with an average career of 5.5 years. This is a short earnings window to save for retirement. If this athlete delays one year, he loses nearly 20 percent of his high-earning years to save. A non-professional athlete with a 40-year career who delays saving one year has only lost 2.5 percent of his earning years. High-dollar mistakes and delays made early on can hamstring a professional athlete's chances of long-term financial success.

## Focus on the present

Like other young adults, young athletes may think of long term in terms of months, playing seasons, or perhaps a year, rather than decades into the future. Like their coaches, they want to see results now, in the game at hand. It's just not sexy to save for retirement while your teammate is driving a Ferrari.

## Looking for excitement

Athletes love risk and the thrill of the big game. This is part of the successful elite athlete's DNA. This trait runs contrary to following a financial plan. To experience long-term success in a financial plan with a compressed earnings timeframe, athletes need a plan that is methodical and steady – the opposite of gambling.

## Larger-than-life attitude

An elite athlete's success hinges on a belief he is a champion – he is unbeatable. This attitude can be fueled by fans, families, agents and coaches. When this belief carries over to their finances, the result can be disastrous. The elite athlete may not believe he needs any advice or may believe that he already has expertise in an area where he does not. Many NHL players do not have a college education. When they don't understand an element of their financial plan, their ego may prevent them from asking more questions or saying no to an investment to protect their images. Furthermore, many athletes believe their careers will be much longer than they actually turn out to be.

## Family pressure

When athletes make it to the NHL and into the realm of higher salaries, family and friends frequently pressure them to spread the wealth. They may even create this pressure on their own to help their parents and loved ones, and commit to buying homes or cars for them. It is hard to say no early on and athletes must say no to set themselves up for long-term financial success.

## Top 10 List: Why Athletes are Prone to Financial Fouls

1. Youth: Make too much too soon without training or experience in personal finances.
2. Large Consequences: Mistakes made with large dollars have bigger consequence than for other young adults.
3. Short-term Horizon: Want instant gratification.
4. Poor spending choices: Tendency to spend money on frivolous items.
5. Invincibility: Don't save early on because they believe income will continue coming in for many years.
6. Peer Pressure: To invest in "can't miss" projects, to keep up with teammates' home, car, etc.
7. Over confidence: Won't admit they don't understand investment products or need professional advice.
8. Risk Takers: Gamblers by nature. Love the possibility of big gains even if risks are huge.
9. Guilt Trip: Being in the spotlight, they have many hangers on (family, friends).
10. Life after sports: Many look only a few games ahead and don't plan for future needs, injuries, or other life changing events.

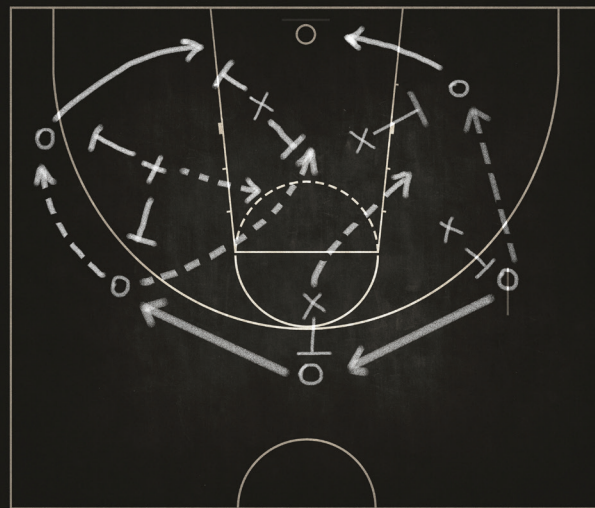


# Advice for Athletes

The good news is that as a professional athlete, you can afford to hire a professional wealth manager to do the heavy lifting. Make sure that you hire one who has your best interest at heart. Let's look at how this relationship improves your financial success:

## Understand the game plan

As a player, you look for the best coach on the best team to enhance your athletic success. You can use this framework to hire a professional coach for your finances – a wealth manager who specializes in athletes. The wealth manager is 100 percent committed to making sure your plan fits with your financial goals over the long haul, not just one season. A good wealth manager will tell you the truth, even if it's something you don't want to hear, just like any good coach. Your wealth manager will encourage you to ask questions and make sure you understand the plan. He or she will encourage you to say no to any investment that you don't fully understand. Knowledge is power. It is the wealth manager's job to make sure you understand each financial play in the whole game plan.



## Learn about cross border issues

Your decision on where to live after your playing career ends will affect taxation, investments, immigration status (visa or green card) and where to purchase life insurance.

## Commit to a budget

Simply put, you need a budget. To build wealth, you must live on a budget that is much less than your net income. Since NHL players get paid over a six-month period, you need to budget also for the six months when no income is expected. Saving early on is one of the most important predictors of success. Even if you make \$1 million this year, you cannot live as if you are a millionaire because that will only last a few years.

## Hire an expert team

Your wealth manager will take time to understand what you value, who you are, your goals, and your relationships. He will work in collaboration with your agent and also make sure the right professionals are on your team – like a tax accountant, cross-border CPA, and estate attorney who all specialize in serving professional athletes. This team works for you. Challenge them to be on top of their game and bring their best planning techniques to the game for you. Your expert team will also understand the pressures you face to live a certain lifestyle. Here are a few techniques this team might put into action for you:

- *Create a ladder system.* Your plan might involve increasing your savings as your income increases. You can then gradually increase your lifestyle and maybe help some family members as part of your overall plan.
- *Avoid debt.* Be wary of taking on large-scale, long-term loans that depend on your current high earnings. A large loan that you cannot re-pay when your income decreases can ruin your financial plan.
- *Keep the investments simple.* Avoid “dreams and schemes.” True experts recommend the least complicated, most elegant solution available to meet your needs. Select investments that you understand and can monitor.

## Plan for life after sports

Your expert team will stay on as you transition to retirement and a potential second career. At the time your agent leaves the picture, hangers on also leave. This is also a time when you can feel alone if you don't have an expert team. Your wealth manager will encourage you to start thinking about what might interest you after your sports career. Use your fame while playing to meet people who can help you transition to a new career. Your expert team will help you plan for the big change of reduced income and not being in the spotlight. A transition plan will give you confidence as you enter into the next stage of life after sports.

# About Francois Giguere

Over his 20-year career in the National Hockey League, Francois Giguere developed a deep appreciation, respect, and care for NHL players. In his own “life after sports,” Francois fused his love of sports with his background in finance. He became a wealth manager in Denver and passed the Certified Financial Planner® exam. He is passionate about helping professional athletes achieve financial success. Francois serves a small number of elite athletes who are committed to building long-term wealth.

To contact Francois, call 303-690-5070, e-mail [Francois@assetsandincome.com](mailto:Francois@assetsandincome.com) or visit [www.AssetsandIncome.com](http://www.AssetsandIncome.com)

## Next Steps

Contact me to schedule a complimentary meeting. I will provide a second opinion for your current situation free of charge.

### My second opinion service consists of two meetings:

- The **Discovery meeting** gives me the opportunity to get to know your goals, values, relationships, and interests.
- The **Investment plan meeting** will provide the broad strokes of a financial plan that fulfills your values and helps you achieve your financial goals.

If we decide to work together after our second meeting, you will have full access to my expert team, a wide range of investments, and regular reviews to evaluate our progress.

