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2810 East Oakland Park Boulevard, Suite 101
Fort Lauderdale, Florida 33306
(866) 405-1031

www.ASKGLOBALWEALTH.com

Kim Franke-Folstad contributed to this article.

After nine years as a professional baseball player, financial adviser Richard Giannotti started a rewarding second career working with pro athletes in all sports to help preserve and protect their hard-earned wealth. He now leads the Sports and Entertainment Asset Management Division at Global Wealth Management (www.askglobalwealth.com).

SMART INSIGHTS FROM PROFESSIONAL ADVISERS

Professional Athlete Money Mistakes We Can All Learn From

By RICHARD GIANNOTTI | Global Wealth Management

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As a former professional baseball player, I have insights into the financial pitfalls that the wealthy and newly wealthy often make.

Professional athletes are notorious for dropping the ball when it comes to dealing with their finances.

I know it's hard for most people to be sympathetic when a highly paid superstar ends up broke, but I usually am. I was a professional baseball player in my 20s, and I know how hard it can be to get good advice and to stay on top of what's happening with your finances when you're young, working hard and traveling all the time.

When the stock market plunged in 2008, I saw a third of my savings disappear. I had a degree in finance, but I had no relationship with my adviser and no real game plan for my future security.

When my playing days were over, I wanted to help other pro athletes get it right — and I quickly realized many of the strategies that benefit them apply to others who work under similar circumstances. Here are a few things I recommend to those who want to manage their income wisely and make it last:

1. It's never too early to start saving and investing.

Of course, this is good advice for everyone, but it's especially appropriate for pro athletes, who often have large paychecks but limited time in their careers. For rookies, it's tempting to spend a big signing bonus on a new car when they're just out of college, but they may not realize that this will be the bulk of the money they'll have to live on and invest until they reach the big leagues. And even seasoned high-earners have to be careful about budgeting, as an injury is always possible.

I urge athletes to be as disciplined with their money as they are with their training. They should pay into their 401(k) from the very beginning to maximize the matching contribution, and then look into other investments as their salary allows. For example, real estate investments.

How does this apply to non-athletes? Employers offer signing bonuses to many professional positions. Investing signing bonuses wisely is an excellent way to kick-start a financially stable future.

2. Don't get scalped by taxes.

Proactive tax planning is crucial for those who want to keep as much of their money as possible. This is where it really pays to work with financial professionals (money managers, attorneys, CPAs, etc.) who understand the strategies that are best suited to a unique lifestyle.

High-earners especially, should consider establishing residence in a tax-advantaged state, such as Florida, Nevada or Texas, to help minimize the bite taxes can take. At first glance, it may not seem worth moving from New York to tax-friendly Wyoming just to save a few percentage points. But if your paychecks warrant it, it could mean tens of thousands of dollars or more in savings.

For professional athletes, choosing the proper domicile can also help with the so-called "jock tax" — the taxes withheld from a player's pay when a road game is held in a location with state and/or local taxes. If a player's home state has a lower tax rate, he or she can get a credit; if the tax rate is higher, it will cost you more. If you are a Major League Baseball player who has 81 road games every season or an entertainment professional who works in multiple states, proper tax planning with this in mind is paramount. State taxes will be a factor when it comes to how much you keep in your pocket from a signing bonus, so establishing that tax-advantaged legal domicile is something to think about from the start.

Finally, timing is important. Signing bonus payments in sports are typically split evenly and paid over two years, but a player's advisers may recommend accelerating or deferring the bonus into uneven payments to potentially reduce the overall tax liability. Professionals in other sectors should consider the same when accepting a signing bonus.

Keep in mind that recent changes to the tax law may affect strategies that are popular with athletes and other celebrities, including deductions for management and other advisory fees, as well as income from appearances and endorsements. Most of those in the know are saying it will take a while to figure out all the ins and outs of the new rules — which is another good reason to have a team of experienced advisers in place, looking out for your best interests.

3. Lay out goals.

Some young athletes want to buy a house for their parents as a payback for years of support. Others get extravagant with clothes or partying. Most don't take the time to do the math and consider that all the money they're making now won't necessarily provide for a long, comfortable life. People tend to think of financial planning as something that's important for older folks, but let's face it: A 25-year-old pro athlete may be just as close to retirement as a 55-year-old grocery store manager. The best way to make sure the money lasts is with a game plan that includes both short and long-term goals.

Once anyone strikes it big in their career, they are at risk of overdoing it on splurges that severely impact long-term financial stability. There are no guarantees in sports and entertainment. Just because things are great now doesn't guarantee that the unexpected can't happen and you lose your job or business due an unforeseen event.

So, just like baseball's best rookies, you have to be prepared. I believe in the "pay yourself first" mentality. You are less likely to splurge on an extravagance if the cash isn't sitting in your bank account. By contributing to an employer qualified plan, the money goes into your retirement fund "pretax," essentially lowering your claimable income when tax season rolls around. For high-income earners, it also allows you to tax defer the growth, compounding the opportunity to potentially build wealth faster.

Next, income should be set aside to pay your fixed and variable expenses, such as a mortgage, car payment, utilities, food, etc. The money that is left is discretionary and can be spent on extravagant items.

4. Disability … planning for the unexpected.

An important part of financial stability is planning for the unexpected. Accidents happen in a split second, putting your career and your income on a path far from what you had planned. Athletes take out disability policies for lost wages against their contracts because certain sports don't have fully guaranteed contracts.

Disability insurance protects you from a complete loss of income. The same rings true for all professionals in any industry. Short-term and long-term disability insurance is a wise choice, and a cost-effective way to help protect your income from an unexpected circumstance that may affect your ability to go to work and earn a paycheck.

5. The Bottom Line for Everyone

The most important thing anyone can do is to get educated on the basics of finance. An adviser's job is helping clients understand what they have in their portfolio and why they have it. The adviser/client relationship is a long-term partnership in pursuing financial stability.

Miami Heat forward Chris Bosh told ESPN in a recent profile, "I was 22 years old when I started (in the NBA). I didn't know anything. People put stuff in front of me and I signed it, and then it came back and crucified me 10 years later."

Pay attention. Do your research, and ask questions. A good financial professional will be eager to fill you in.