INSIDE: RETIREMENT INCOME PLANNING AND ANNUITIES

Retirement ADVISOR

PRACTICE MANAGEMENT STRATEGIES FOR BUILDING SECURE FUTURES

WITH A FINANCIAL PLAN DESIGNED FOR PRO ATHLETES, **ALI NASSER** TAKES SPORTS CLIENTS ON A STEP-BY-STEP GUIDE THROUGH THEIR ROOKIE SEASON TO RETIREMENT.

THE 'SUPER BOWL' OF ESTATE PLANNING

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By Maria Wood | BRUCE BENNETT PHOTOGRAPHY

The 'Super Bowl' of estate planning

Gridiron heroes are so much different than your clients, right? *Or are they?*

As you watch the Big Game this month (and if you don't know which Big Game that is, you need to get out of your cave and fast), you may wonder what it would be like to advise one of those gridiron heroes. After all, aren't those young, college-educated studs just the kind of high-net-worth client you'd love to guide in your practice? With their seven-figure contracts, assisting them to pile up assets during their professional careers and then shift those funds into a stream of retirement income would be as easy as an unopposed sprint to the end zone. Wouldn't it?

In some aspects, advising a professional athlete is diametrically different than the planning an advisor would do with say, a successful business owner or a wealthy retiree. Yet in other respects, the challenges they face echo what every financial planner confronts when working their so-called "typical" client: inertia when it comes to getting a plan started; the need for individualized planning; cooperating with other key stakeholders in the client's life, etc.

Retirement Advisor spoke to two estate attorneys and one financial advisor who work with a number of professional athletes, including NFL players, to glean their insights into advising this highly unique niche. Even if you don't intend to pursue this particular clientele (and why not?), perhaps their experiences and advice can help you build your practice and be a better advisor for all your clients.

A "QUICK BURST OF WEALTH"

Unlike the general population, a professional athlete has an extremely compressed earning time line. Whereas a business executive can expect to amass his wealth over half a century, usually making more money in their 60s than their 40s, a professional athlete's primary breadwinning years happen in their 20s and 30s, and then drops off precipitously after that.

That situation is particularly acute for NFL players, who generally have shorter playing careers than baseball or hockey pros, notes Eido Walny, owner and founder of Walny Legal Group, LLC in Milwaukee, who counsels roughly a dozen current or retired pro athletes. Therefore, that million-dollar-or-more contract they sign early in their career may have to last a lifetime.

"That quick burst of wealth they have in a very short NFL career presents a number of challenges that estate planners and financial advisors have to take into account," Walny says. "It's very different to come into your financial maturity at 50 than at 25. So to get these guys to do the planning, think about options, think about what life is going to be like when they're 50 at age 25 presents a lot of challenges that we generally don't have to deal with someone in their 40s or 50s."

Since they are so young, professional athletes may balk when it comes to starting a financial plan, thinking it's something they can do later in life. However, as Walny ruefully points out, in that respect they are not much different than the average Joe or Jane.

"By far the biggest mistake people make is to do no planning," Walny says. "It's an epidemic problem among the general population and it's worse among pro athletes. Statistics show that 60 percent to 70 percent of Americans don't do any estate planning. It's probably closer to 80 percent to 90 percent for pro athletes."

To nudge his pro athletes onto the financial planning field, Walny tells them straight out that if they have time to play

Xbox and or hang with their buddies, they have the time to find and meet with professional advisors, even with a busy playing and training schedule.

"When you're done at age 30 or 40–if you are lucky–there is a whole lifetime ahead of you that you will have a lot of regrets for if you burn through that money or don't protect yourself," Walny warns.

BUILDING A TEAM

Though they have played their entire careers as part of a team, pro athletes may struggle building a team of financial advisors and estate planners. Or more accurately, the right team of advisors. Many times, a professional athlete relies on family members or friends to guide their financial decisions, a path that can sometimes lead to ruinous consequences. Accordingly, it's critical they hire professional estate and financial advisors, Walny stresses.

"That person can't be your mom, dad or best friend," he says. "It has to be someone who is a paid advisor, who has been through this before, someone you can really rely on. A quality advisor can mean the difference between you living the dream lifestyle a lot of athletes strive for versus just becoming another statistic."

Ideally, those team members should include an attorney specializing in estate, business and tax matters; a CPA; a financial planner/money manager; a property/casualty/liability insurance specialist, and of course, the athlete's agent-preferably one that welcomes input from other professional advisors, details attorney Mike Passananti, a partner at Duggan Bertsch, LLC in Chicago. About 10 percent to 15 percent of his practice encompasses professional athletes.

It's important to bring all those team members together to create a "single voice" in the professional athlete's financial life, emphasizes Ali Nasser, CFP, AEP, principal of Altruista LLC, a boutique wealth management firm in Houston.

After first meeting with the athlete one-on-one to understand his goals and objectives, Nasser than corrals the client's agent, attorney and other key family members in a collaborative meeting to discuss the financial blueprint. "We say, this is our master plan for how to accomplish this from a holistic standpoint. Does anybody have an input or feedback? It's speak now or forever hold your peace. So we have one centralized strategy."

Working with a client's other advisors or significant life partners offers lessons for all advisors, whether they deal with professional athletes or not, Passananti says. "The details of comprehensively representing a client, you can learn a lot. These athletes need counsel in every single aspect of their financial life."

A DIFFERENT PLANNING FIELD

Make no mistake, sketching out the financial life plan for a professional athlete, particularly an NFL player, is vastly different than the typical client who comes through an advisor's door. Their career arc, lifestyle and earning trajectory are simply not those of a high-net-worth or even ultra-wealthy business person.

In his practice, Nasser has four main client groups: ultra-high-net worth business owners; retirees; millionaires under 40; and about 10 professional athletes. Combining the unique elements of the first three groups, Nasser and a team member, former NFL player Devard Darling, developed a special financial planning process for pro athletes they call "The Sport of Life." Basically, that plan is a step-by-step guide that takes the athlete from his rookie season to retirement.

What are facets of the first three groups that emerge in the fourth group of pro sportsmen? In summary, a professional athlete is similar to ultra-high-net-worth business owners in that they need comprehensive wealth management; are generally illiquid; and have been singularly focused on their careers to the exclusion of all else in their lives. Like retirees, they must transition from accumulation to decumulation in retirement (sometimes with a surprisingly modest nest egg). The parallel to millionaires under 40 is quite obvious–these are young people making a lot of money early in life.

The first step, Nasser relates, is educating NFL players about some basic financial concepts like cash flow management and liquidity. That $2 million-a-year contract may seem like a hefty number, but in reality, it factors out to $800,000 when taxes and fees are subtracted and without taking into account any withdrawals for savings. Yet most players base their lifestyle on that $2 million figure and "their cash flow usually gets out of control," Nasser says. "They tend to live outside their means."

So Nasser asks the athlete: Do you want to live like a king for five years or a prince for the rest of his life? "There has to be a mental buy in where they understand, they get that, I want the lifestyle forever, not just five to 10 years. What do I need to do to get that done?"

A LIQUID PLAN

In light of their relatively short playing careers that condense their peak earning years and typically non-guaranteed contracts, NFL players require some special estate/financial planning techniques. A career-ending injury (always a distinct possibility in the physically demanding sport of football) or being suddenly cut from the team means any financial plan must include a cash cushion the client can access when they are unexpectedly left without a paycheck.

"I take an extra conservative approach with all of my NFL players," Passananti says. "I want to make sure they have a very liquid nest egg that is going to last them as long as that nest egg can. Some of my NFL players have nest eggs that will last them five to 15 years, and other NFL players I represent, their grandchildren would have a tough time spending their respective money."

Likewise, Nasser agrees liquidity, along with flexibility, are the top items on the wealth planning checklist for an NFL player. Their financial situation can change in an eye blink (or from a hard hit); therefore, they need instantly accessible cash.

Q&A:
Devard Darling

HE PLAYED EIGHT YEARS as wide receiver in the NFL, mostly with the Baltimore Ravens and Kansas City Chiefs. In 2012, Devard Darling retired.

He now pursues two careers: running a charitable organization, **As One Foundation**, in honor of his late twin brother, Devaughn, who also played football and died at age 18 while at Florida State University.

His second passion is financial services, especially helping those who played professionally as he did. After starting at Primerica, he joined Altruista, LLC in June of last year as a registered rep.

Why transition to financial planning?

"It was really through my own experience of having quite a few financial advisors, some good, some bad. I lost money with some, made some money, but overall no one educated me. I have a huge heart for helping, that's what I'm put on this earth to do. I saw an opportunity and jumped right into it because my number one goal is helping. The statistics are outrageous and alarming. The public perception of the athlete is that we are just young dumb jocks with a lot of money and we do silly things. That's not the case. I don't know any of my friends who do things like that. So I wanted to set out and make a change."

Biggest mistakes pro athletes make?

"Listening to uneducated advice. All advice is very segmented. You have to go back to how we're led into these financial advisors. Some don't really understand the lifecycle of an athlete or don't understand the psychology of an athlete. It's really just a business to them, and they're not looking out for their best interests. It's just a client and a guy pushed through the system to make money. It's more of a cookie-cutter system they have.

We can talk for hours about some of the decisions and mistakes and how athletes are led into certain things. But statistics show nearly 80 percent of athletes go broke just a few years after being done in the NFL, NBA, all pro sports. It's an alarming rate."

Former NFL player Devard Darling teams with Nasser to guide pro athletes from their rookie season to retirement.

What can the financial services industry and the NFL to help pro athletes?

"Specifically for the NFL, all drafted rookies are put through a rookie symposium [a life skills program sponsored by the league]. By that time, it may be a little too late. The onus is really on each individual. One thing they do a good job of is our 401(k), our forced saving. We can't touch our 401(k) until at least 45 years old. That's one thing they have put in place to help the NFL athletes.

It's a unique lifestyle and therefore it calls for a unique strategy. And that's what is missing—an overall strategy that takes an athlete through each stage of his life. This [Sport for Life] process is not just while you are playing, while you are active, it's something we have created to take you though each step in life."

"Generally, we create a bucket of money for cash reserves," Nasser says. "Say their portfolio income is going to generate $150,000 a year from dividends and interests, and their lifestyle is $500,000 a year. We'll carve out maybe two, three, maybe four years' worth of income and park it in cash or some type of liquid instrument just for accessibility. We keep this out of their primary savings or checking accounts because we don't want them to access it unless an emergency comes up.

"Flexibility also comes into the picture," he continues. "Making sure that whatever product we use, if there is a product, that it's something that is flexible. We find, generally speaking, long-term products are tough to implement unless the client has ample liquidity."

An estate plan for a pro athlete (or anyone for that matter) doesn't have to be built in a day, Walny adds. It can be structured and modified over time.

"Putting it in an NFL context, if you want to score a touchdown, you can't go from one end zone to the other generally in one play," Walny says. "It happens occasionally, but usually you have to be meticulous, move the ball a little bit at a time until you get to the other side. Estate planning is the same way. It is something we can continue to add onto, it's modular, so just beginning the process is very significant."

ASSET PROTECTION

Here comes another NFL analogy: Just like a player wouldn't step out on the field without a helmet, an estate plan for that same player should incorporate asset protection. Pro athletes typically own many material assets, like real estate or even car collections, that could be targeted by creditors.

There are two tiers of asset protection, Passananti details. One is statutory protection, whereby in some states equity within a personal residence or cash build-up in annuity or life insurance contracts are shielded from creditors by law.

The next tier is what he terms entity-based asset protection. That could come in the form of a business arrangement like a LLC or LP, or an irrevocable trust.

To illustrate the importance of having that asset protection, Passananti tells the story of a pro athlete who came to his office for advice. Though he made a good bundle of money in his playing career, his assets had dwindled.

What led him to Passananti's office were some 30 lawsuits, all relating to personal guarantees he made to investment deals that ultimately went belly up. He never obtained legal counsel before signing those deals and instead made decisions based on trust. "Our analysis to him was, we can't help you anymore. We can refer to a great bankruptcy lawyer," Passananti recalls.

Contrast that situation to another client of his, who runs every potential business deal by his team of financial and legal advisors to evaluate any likely pitfalls.

"Dealing with athletes for so long, the amount of creditor risk out there grows every day, whether it's media related or physical altercations, or bogus lawsuits," Passananti says. "The risk is real."

WHEN THE CHEERING ENDS

Any client faces that inevitable question: What will I do after I stop working? For pro athletes, that conundrum comes much earlier in life than most.

Consequently, the planning process for his pro athlete clients must include an evaluation of their strengths and skills outside of football, Nasser says. What are they good at (besides catching a pigskin)? What do they like to do outside the gridiron? Do they want to be an entrepreneur or a passive investor?

Passananti says that some of his clients aim for second careers or charitable work when their playing days end. Others simply want to play golf. "Either way, I want them to do whatever they want if that's possible."

Nasser relates similar observations. Some of his former pro clients have opened training facilities. Another developed an app and works in Silicon Valley. One is now marketing a device he invented to help him rehabilitate his knee.

"Through the financial planning process, we figure out, OK, here's how much you can depend on your portfolio for each year," Nasser says. "If your lifestyle is half a million and your portfolio generates $250,000, where does the other $250,000 come from?"

Isn't that what estate and retirement planning is all about?

INSIDE THE NUMBERS OF PRO ATHLETES

78% of former NFL players have gone bankrupt or are under financial stress two years after retirement.

Source: "How (and Why) Athletes Go Broke," Pablo S. Torre, Sports Illustrated, March 23, 2009.

AVERAGE LENGTH OF AN NFL CAREER:
3.5 years

Source: Bloomberg Businessweek

AVERAGE SALARY OF AN NFL PLAYER:
$1.75 Million

AVERAGE SALARY OF A BASBALL PLAYER:
$2.5 Million

AVERAGE SALARY OF AN NBA PLAYER:
$5.2 Million

Source: Statistical Brain

IN ADDITION to the special considerations a professional athlete brings to the table in terms of financial and estate planning, are there certain essentials that can help an advisor attract more of these unique clients into their practice?

KNOW THEIR SITUATION. Having played some type of sport either at the collegiate or pro level can be a huge factor in gaining the trust of the pro athlete. If that isn't the case for you personally, having someone on staff who is a former pro athlete helps. (Being a fan doesn't really count for much with this clientele.)

For instance, Ali Nasser of Altruista has former NFLer Devard Darling on staff. (See sidebar on page 5.)

"I'm a younger guy, I can relate to a lot of them socially but they still see me as a suit," Nasser says. "There is only so much you can emphasize with an athlete without actually being one. So for those who want to be in that market, my big recommendation would be you should have someone on your team that has a relation factor, even if they played college football, or played in the pros for a little while, or they come from a family of athletes."

Mike Passananti of Duggan Bertsch, LLC played college sports, so he can relate to pro athletes. It may seem like a niche market to cultivate, but their demand for advice is great, he says. "It's a client market that's underserved and it's a client who has extreme needs for advisors who do things the right way."

FLAT-FEE BILLING. With his pro athlete clients, Eido Walny, Walny Legal Group, uses a flat-fee billing model. In that way, every time a client calls to discuss matters, they aren't worried the clock is ticking and the charges are piling up.

"If you can take that off the table and just interact with the client, it's amazing how much better that relationship can be," Walny says. "Getting rid of that clock helps all of our clients, especially those who have very strict schedules be it because of training camp or surgical schedules." RA