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WHO’S WATCHING YOU AND HOW TO FIGHT BACK
How do athletes and entertainers prepare for life after the game?

BY STEVE CONDOS
How do athletes and entertainers prepare for life after the game?

The careers and earnings profiles of athletes and entertainers are unusual compared with the much more predictable career length and compensation typical of “traditional” forms of employment. Athletes and entertainers’ careers, for instance, can be short; injuries may sideline athletes at any time and social and/or artistic trends can erode an entertainer’s appeal. Another difference is that peak earnings can happen very early in the entertainer’s or athlete’s career, since many come into sudden wealth when they sign their first professional contract. Pay schedules may also be unpredictable, and payments may occur only when the sport is in season.

Due to these factors, budgeting for ongoing annual expenses, assessing large capital expenditures and developing a long-term investment strategy is complex but absolutely critical to wealth optimization. Envisioning and planning for the post-career years further presents unique challenges.

Thus, a holistic and integrated approach to financial planning and investing is necessary so that lifestyle needs for these celebrities can be funded well beyond their peak years. A common miscalculation about athletes and entertainers is that they are overpaid millionaires who live lives of luxury funded by endless streams of cash.

And although some superstars within both the sports and entertainment worlds enjoy prolific earnings, the vast majority earn far less. They may face truncated earnings windows and unpredictable income streams, as well as costs associated with their careers—salaries for agents, publicists, trainers and other personnel—and, in some cases, the expense of supporting friends and family.

Careers for major team-sports athletes may last, on average, three to six years and peak-earnings windows for individual athletes and entertainers may also be short. Thus, finding ways to preserve those earnings for “life after the game” is incredibly important. This is where wealth management comes in. The wealth-management process is an ongoing, interactive approach that takes into account retirement goals, cash-flow requirements, investment objectives and risk tolerance, as well as major life events such as education for children or grandchildren, the purchase of a house or vacation home, philanthropy and the creation of a legacy.

We believe this process can help athletes and entertainers create a road map to help guide them through some of the major spending decisions and lifestyle choices they’ll make both during and after their careers. This process can further help answer questions such as: “Based on my spending needs, how much money do I need to invest, and how much market risk am I willing to take to reach my cash flow goals?” Related questions include:

• Will this portfolio fund me through retirement?
• Should I consider taking out a loan against my portfolio or a mortgage against my house to enhance my cash flow?
• How do I incorporate charitable giving and legacy planning into my portfolio goals?

Answers to these questions, and ongoing discussions with a capable financial advisor, can help create the foundation upon which an investment portfolio can be built.

Peak earnings can happen very early in the entertainer’s or athlete’s career, since many come into sudden wealth when they sign their first professional contract. Athletes and entertainers face a unique set of challenges preparing for a retirement window that can be 2 to 3 times longer than that of the average investor. However, a planned approach, with the right asset allocation framework, can help athletes and entertainers preserve and, in some cases, enhance their career earnings. Perhaps more important, this approach can help these investors maintain a comfortable life during their retirement, fulfill their philanthropic objectives and provide a strong platform for transferring wealth to the next generation.

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