

BY STERLING SULLIVAN  
VP AND SENIOR WEALTH ADVISOR,  
CALAMOS WEALTH MANAGEMENT

## Professional Athletes: Wealth Advisor Q&A

In addition to the action on the field, this time of year is especially busy in the back offices of professional sports teams. With the baseball season just around the corner, teams are hitting the fields in spring training. With football in the off season, teams are evaluating their rosters and preparing for the 2016 draft. And in basketball and hockey, the seasons are heating up as post season possibilities grow nearer.

A painful aspect of player selection is that many talented players get cut. Consider these recent headlines:

- » "Broncos reluctant to pay price for Ryan Fitzpatrick, per source" – ESPN, March 14, 2016
- » "Capitals Waive Brooks Laich as Trade Deadline Nears" – Associated Press, February 28, 2016
- » "Los Angeles Rams release 3 high-profile veterans in salary-cap purge" – Seattle Times, February 19, 2016

Even with salary caps rising, players are prone to cuts. Here's a brief excerpt from a February 3, 2016 Bleacher Report article titled "2016 NFL Offseason: Top Players Who Could Be Cut":

*"Most of the time, a team cuts a player because of his level of play. However, sometimes a player is cut merely because he makes too much money and his play doesn't warrant the amount of dough he is set to make.*

*A lack of cap space is also another notorious reason some guys are let go. As of now, six teams have \$5 million or less in cap space—the Pittsburgh Steelers, New England Patriots, Baltimore Ravens, Miami Dolphins, Buffalo Bills and New Orleans Saints." – Richard Janvrin*

The painful reality is that for most players in professional sports, high salaries come to an end all too soon, often for reasons beyond players' control.

Because athletes are my primary focus as a wealth advisor, I often receive questions about working with them, including some of the key pressures they face. Following are some key questions and my answers, with the goal of zeroing in on what athletes can do during their career to ensure they are building wealth that will last beyond the unavoidable uncertainties of professional sports.

**Q: There are some high-profile horror stories about high-paid athletes losing it all—or nearly all—after successful careers. Are these isolated examples or indicative of common problems?**

The list of athletes from almost every professional sport who have filed for bankruptcy is, unfortunately, long!

High-profile stories of former players like Antoine Walker (former Boston Celtics forward) or Terrell Owens (former San Francisco 49ers receiver) reflect the pressures and pitfalls faced by many professional athletes. They differ from the unfortunate norm only in the size and publicity of the misfortunes.

Antoine Walker shared his journey in a documentary film, in which he said he earned and lost \$110 million before filing for bankruptcy. By his own account, he spent lavishly and made unwise investment decisions.

Terrell Owens also shared publicly that the approximate \$80 million he earned during his NFL career is nearly gone.

The bottom line is that professional athletes are financially fortunate—but also very vulnerable. They face stressors such as a short playing career, fluctuating global market and economy, lack of financial acumen, new family dynamics, lack of competent advice and the desire to maintain a certain lifestyle. These are not isolated stressors. They are the rule, not the exception.

**Q. Is spending the main problem?**

No – at least not on its own. What I’ve seen is that when an athlete goes broke, it’s often spending in combination with risky, bad investments and an inadequately constructed investment portfolio. Here’s a list of five financial risks that I share with

professional athletes. In my experience, these are the factors that are most likely to destroy or greatly diminish an athlete’s financial fortunes:

- (1)** High-rolling lifestyle;
- (2)** Family and friends who expect financial support;
- (3)** Divorce;
- (4)** Child support and other legal entanglements;
- (5)** Unwise or fraudulent investment sales pitches (such as get-rich-quick schemes).

For many athletes, heavy spending just comes with the territory. Just ask any rookie who’s been strongly encouraged to take his teammates to an annual “rookie dinner.” Recently a restaurant receipt surfaced that showed a rookie’s \$20,000 dinner bill.

For some players, dropping \$20,000 on dinner may be doable every once in a while. But sometimes these guys face pressures to spend much more than that. Athletes, especially those just starting out, have to learn to say “no,” and stand their ground to keep spending down to a manageable level.

**Q. What are some examples of fraudulent investment sales pitches? What can athletes do to protect themselves?**

As public figures whose income is the subject for the press, athletes become magnets for financial fraud. They need to understand that if something sounds too good to be true, it is. The same rules for prudent investing apply to athletes as to any other high net worth investors.

I have seen many professional athletes get burned by investing in poorly designed or poorly vetted real estate transactions or private equity investments. People call and want an athlete to invest in a

brother-in-law's restaurant or a cousin's high-tech startup. Often, athletes receive investment pitches without a coherent business plan to accompany the idea.

It's absolutely vital to assemble a trustworthy team of advisors who work together. The team should include not just an investment advisor but also an accountant, estate-planning attorney, tax attorney and insurance expert.

It's also essential to learn to say "no." The best way to do that is also the easiest. When an athlete gets a pitch, he or she should refer the interested party to his advisors. Leave the "no" to someone else!

#### **Q. Why isn't this kind of team approach the norm?**

Simply stated, the lack of education and quality of advice within the athlete community is woefully inadequate. Most professional athletes simply don't have the financial education to know how to protect themselves and their assets. Most have limited experience managing finances and the many complexities, responsibilities and decisions that new wealth brings.

Often these young athletes see enormous sums of money discussed within their contract and think of it as a never ending source of wealth. But, by the time they pay their agent and taxes (federal, state, city/municipal, "jock tax"), often there is less than half left for current and future living expenses.

Athletes are right to pay close attention to their agent relationships, as the agents help facilitate the pay in the first place. But they need to remember that the majority of agents are only there for as long as the career lasts. Athletes need a broader team in place to ensure a longer-term focus.

#### **Q. What's it like for you personally to work with professional athletes as clients?**

Educating young athletes and their families is one of the most rewarding areas for me. Providing knowledge from experience transcends any service that I can offer as a trusted advisor. I know it sounds hokey, but I really do care about those that I work with. You do not see them as superstars on television, but as ordinary people who have an athletic gift and are in need of assistance.

An education on budgeting, planning and investing is only the first step. The athlete also needs guidance about wealth planning and taxes, disability insurance and dealing with new dynamics among friends and family.

To get that education on fast-track, sometimes it's helpful for athletes to be aware of the all-too-common true stories of their peers who have suffered bankruptcy. Therefore, the list that I maintain of athletes who've filed for bankruptcy can be more powerful than any long-term investment graph.

In closing, I would stress once again that professional athletes are both financially fortunate and also financially vulnerable – especially to questionable investment schemes and advice that doesn't take into account the complexities of their specific circumstances. Wealth advisors like me can play a key role by being the one to say "no" when needed and work diligently to build a sustainable foundation for financial success that extends far beyond the playing years.

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Calamos Wealth Management, LLC), or any non-investment related content, made reference to directly or indirectly in this newsletter will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from Calamos Wealth Management, LLC. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. Calamos Wealth Management, LLC is neither a law firm nor a certified public accounting firm and no portion of the newsletter content should be construed as legal or accounting advice. If you are a Calamos Wealth Management, LLC client, please remember to contact Calamos Wealth Management, LLC, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services. A copy of the Calamos Wealth Management, LLC's current written disclosure statement discussing our advisory services and fees is available upon request.

# CALAMOS®

Calamos Wealth Management  
2020 Calamos Court | Naperville, IL 60563  
800.857.7604 | [www.calamos.com/wm](http://www.calamos.com/wm) | [cwm@calamos.com](mailto:cwm@calamos.com)  
© 2016 Calamos Investments LLC. All Rights Reserved.  
Calamos® and Calamos Investments® are registered trademarks  
of Calamos Investments LLC.

CWMFCACOM 7871 03160 WM