



of San Diego

HOME

PLANNER RESOURCES

WHAT YOU CAN LEARN FROM PROFESSIONAL ATHLETES ABOUT MANAGING YOUR MONEY

What, you probably are asking, could you learn from a professional athlete about managing money? You don't make their millions a year, and besides, don't they often mess up their finances?

Actually, they can teach us a lot—and yes, often it's because they get it so wrong.

Let's start with one of the fundamental lessons we can learn from professional athletes—the need to budget. Why does someone who makes millions need to budget? First, not all professional athletes make millions. And even for those who do, more than a few have managed to retire broke because they mismanaged their money during their brief, high-earning years. Your career or careers probably won't be as brief as most professional sports careers, but nonetheless it's easy to get into financial trouble through mismanagement—or lack of management—of your money.

One key step taken by financial planners who work with professional athletes is to put their clients on a core budget to be sure they meet their basic expenses each month, including during the off season when they're not getting paid. Many workers face the same challenge of smoothing out uneven income resulting from seasonal work, bonuses, self-employment or sales commissions. And a budget is a good tool even for families earning steady incomes.

Planners also emphasize planning for the worst-case scenario by putting away money in an emergency fund. A rookie in the National Football League might see financial glory ahead for years, yet end up playing only two or three years before being cut or injured. As with most professional sports contracts, most regular jobs or careers are not guaranteed, as painfully illustrated by Enron, WorldCom, Kmart and the hundreds of thousands of other layoffs in this weak economy. That's why planners recommend the average family establish an emergency fund with enough cash to cover three to six months of bare-bones living expenses.

Watch sports any Sunday afternoon and you'll see the need for personal disability insurance. A highly touted pro prospect, a running back from the University of Miami, blew out his knee during the college football championship game at the Fiesta Bowl in January 2003. Fortunately for him, he had secured a \$2.5 million disability insurance policy just hours before the game. If he never plays a down in pro football, the policy will help make up some of his lost earnings.

The same lesson applies to any worker—a long-term or permanent disability can cost you a career of wages. While your employer may provide disability coverage, it typically is short-term and inadequate, so most planners recommend supplementing it with private coverage.

The automobile deaths in 2000 of two players in the National Basketball Association illustrates another lesson to be learned from athletes—the need for adequate life insurance and estate planning regardless of how wealthy you are. One of the dead athletes, through the urging of his wife, had drawn up a will and completed other estate planning measures shortly before his death, and his family is surviving comfortably. The other player had not planned, and his family is destitute.

You may never receive a \$10 million signing bonus like a hotshot rookie, but you could still end up with a large sum of money from an inheritance, a lottery win or a lump-sum payout from a pension plan. Like an athlete, you need to treat this money with great care.

Athletes, like other celebrities, are frequent targets for investment scams—not only because they make big money but because they often don't pay close attention to their finances because of their busy schedules. The same lessons apply to any family: always be closely involved in your finances and educate yourself about money management, even if you work with a financial advisor.

The mismanagement of finances by professional athletes has prompted their leagues and players unions to encourage their athletes to do financial planning. The NFL recently established a program to screen financial advisors who might work with its current and former athletes and coaches. Similarly, it pays you to manage your money, and often to work with qualified financial planners you can trust.

See, you never thought you could learn so much about finances from the sports page, did you?

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