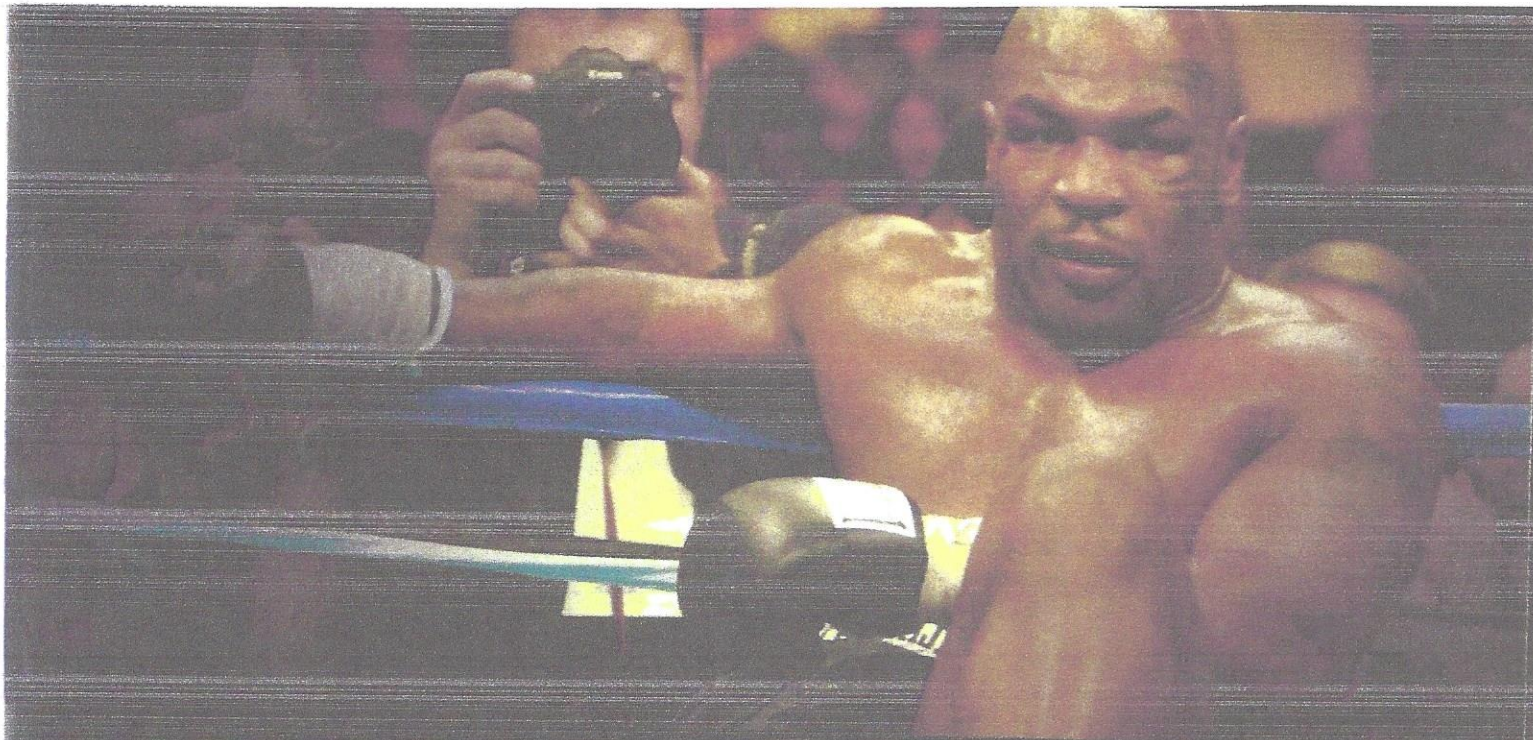


HALL OF FAME

HOW SOME ATHLETES FIND FINANC

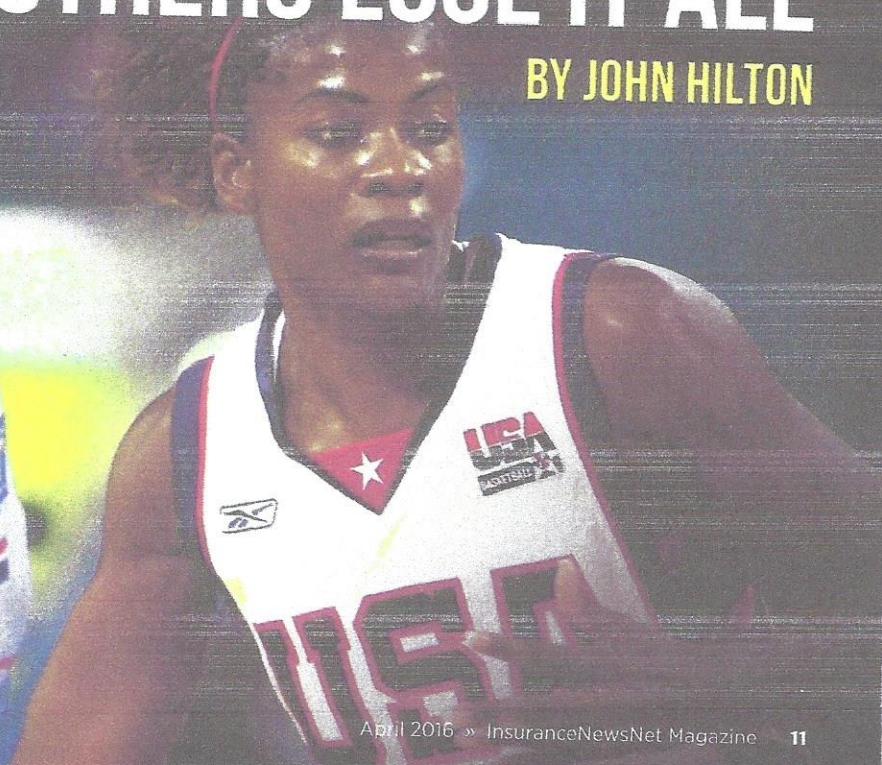




FALL OF SHAME

AL GLORY AND OTHERS LOSE IT ALL

BY JOHN HILTON



You know how the movie "The Hangover" revolves around a tiger that turned out to be Mike Tyson's pet?

Well, in real life the former heavyweight champion didn't have a pet tiger. He had three.

The rare, white Bengal tigers cost him \$140,000 and then about \$40,000 to feed them each year and \$125,000 annually for a trainer. That is just one instance of the famously extravagant spending that led Iron Mike to pummel hundreds of millions of dollars.

His is a fascinating tale like that of many a sports star who came into fame and fortune at an early age. But they might not be so different from a high-net-worth client that an advisor might deal with. Entrepreneurs and business owners can strike it rich and make more money than they know what to do with. So what they do before seeking the help of an advisor is often the wrong thing.

When advisors deal with big cases, they often have to manage big spenders. In this feature, we will hear from advisors who help keep wealthy athletes out of trouble.

This advising requires financial know-how, but also a healthy dose of psychology.

Not many athletes are equipped to make the difficult financial decisions that accompany their profession, said Erik Averill, a partner in Athlete Wealth Management Group in Scottsdale, Ariz. After all, many athletes will earn the majority of their lifetime earnings before turning 30 years old.

"I actually think the majority of athletes want to make the right decisions and they want to be smart with their money," Averill said. "It's just a lack of education and, unfortunately, a lack of getting the right advice."

Financing a Fallback Plan

Averill, 32, majored in finance at Arizona State University, where he starred as a left-handed power pitcher for the Sun Devils baseball team. He was drafted in

the 20th round of the 2005 Major League Baseball draft by the Detroit Tigers.

After a promising 2006 season for a Tigers' minor league team, Averill developed elbow issues and underwent surgery. Faced with a year-plus recovery time, Averill said he quickly got "really bored."

So he secured an internship at a Smith Barney office with a colleague who did financial planning for athletes. The intersection of Averill's two main interests was completed.

"It was really during that time ... that I fell in love with just being able to help athletes make smart decisions with their money," he said.

After a brief return to pro baseball in 2008, Averill turned in his uniform for good. In 2010, he was recruited by David Penniall, himself a former pro baseball player turned financial advisor, to head up Athlete Wealth Management Group.

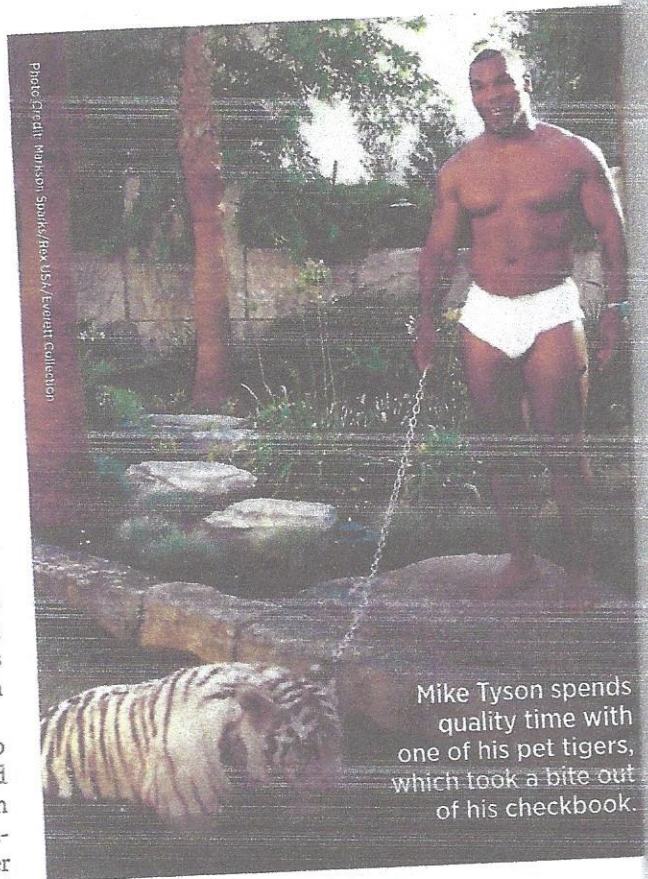
"He believed the right model that an athlete needed was much more along the lines of a family office-type service model as opposed to a traditional financial advisor who just focused primarily on investment management," Averill explained.

Averill's team includes three other ex-pro athletes, and the company has \$1.1 billion in assets under management. They have 125 clients, Averill said, including 51

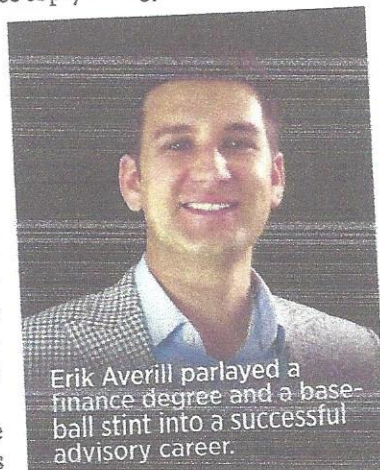
active Major League players — two with career earnings of more than \$100 million, and two with more than \$50 million.

Start With Goals

Perhaps the most important part of financial planning for athletes doesn't involve money at all, Averill said. It involves the attitude, the goals and, finally, the plan crafted at the beginning of the relationship.



Mike Tyson spends quality time with one of his pet tigers, which took a bite out of his checkbook.



Erik Averill parlayed a finance degree and a baseball stint into a successful advisory career.

Depending on the player, there are strategies that are often effective, Averill said. For example, an AWMG advisor will ask players to look ahead 30 years to a *Sports Illustrated* profile being written about their career. What would the players want it to say?

"The first thing we always clarify with our athlete-clients is that this has to be important to you," Averill said. "There's a mutual commitment where we're going to agree on a budget and we're going to review these things on a regular basis. You can't come in and try to control their money or tell them what to do."

Not that it is all smooth sailing by any means. But the talks and the agreement give the advisors some leverage if an athlete begins making bad financial decisions.

"We're not going to allow a client to be a train wreck," Averill said. "It's only happened twice that we had to fire clients. After multiple years of repeated attempts to help them make smart decisions, (you realize that) it's just not important to them."

While NBA players earn an average annual salary of \$4.7 million — and going up — as many as 60 percent of players go broke within five years of retirement, according to a *Sports Illustrated* report.

Even more alarming is a similar report showing that 78 percent of ex-NFL players suffer financial problems within two years of leaving the sport.

Once the discussions on philosophy and behavior are out of the way, AWMG advisors start with a pretty conservative financial base for their clients, said Averill, a certified financial planner.

"That core portfolio that we have is going to be your typical low-cost globally diversified portfolio where we're not trying to hit home runs," he explained. "Once our clients reach the goal where basic lifestyle needs are met, we will start to implement some different strategies."

High-net-income athletes tend to max out their 401(k)s fairly quickly, Averill noted. At that point, AWMG will steer them to a SEP [Simplified Employee

Pension] IRA to take advantage of tax-deferred growth. After that, a "properly designed" indexed universal life or variable universal life insurance policy is an option, he added.

"We are big believers that it can be a great tool if max-funded at an early age and not touched for a minimum of 10 years," Averill said.

'A Bunch of Stress'

Brad Klontz doesn't see Tyson's journey to financial ruin as unusual. Co-founder of Your Mental Wealth and the Financial Psychology Institute, Klontz said

star athletes are similar to lottery winners.

The sudden accumulation of wealth throws them out of their "financial comfort zone." While that might sound like a good thing for some poor athletes, it often isn't.

"It puts a bunch of stress on your

relationships," Klontz said. "It changes your relationships with people. In a sense, you're almost kicked out of your social group."

And that's where the athlete's subconscious "animal brain" kicks in, he said. At an early point in our evolution, humans relied on being in a tribe. Since being kicked out of the tribe was basically a death sentence, we learned to desperately cling to our sociocultural group identity, Klontz explained.

"Frankly, there's social pressure for (suddenly rich athletes) to get rid of all the money and go back to where you were, because if you go back to where you were psychologically, then emotionally there's no more pressure," he added.

Likewise, the sudden wealth creates a sort of "existential crisis" for the athlete, Klontz said. After working so hard to be a great athlete, get a scholarship and play professionally, the athlete is sometimes left wondering who they are and what it all means, he said.

Many Asian- and African-American cultures are very insular. That tight-knit group dynamic often affects the financial



Brad Klontz incorporates psychology into his investment strategies for high-net-worth clients.

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behaviors of athletes. For instance, is the player going to fly first class while his buddies are in coach? Or is he going to pay the difference to bump them up?

"If you all of a sudden have a bunch of money, can you talk to your friends about how stressed you are about the stock market?" Klontz said. "You can see that there are one or two things that typically happen without a lot of conscious thought and effort, and that is you get rid of all your friends, or you get rid of all your money."

An Allowance

William Small sees it frequently among the NFL athletes he encounters as head of William Small Wealth Management Group in Hazelton, Pa.

"A lot of the athletes come from low income or poverty growing up," he said. "They might have had seven people growing up in a one-room house. And you get a couple hundred thousand or a couple million, and

you want to take care of everyone around you, so the money is spent quick."

The key is getting the athlete to follow a budget and creating a diverse portfolio for them, Small said. And it's not as easy as it might seem, he added. Players need to exercise strong financial discipline.

"These guys only get paid during the season, so a lot of times in the offseason these guys are borrowing money at crazy interest rates because they don't get paid from January until the summer," Small said.

He mentioned a current NFL running back who is on a monthly allowance

Mike Tyson

AGE: 49

SPORTS HIGHLIGHT: The youngest boxer to win the WBC, WBA and IBF heavyweight titles.

CAREER EARNINGS: More than \$300 million from boxing alone.

SHAME: Tyson flailed his way through his fortune and ended up flat on the mat under \$38 million in debt.

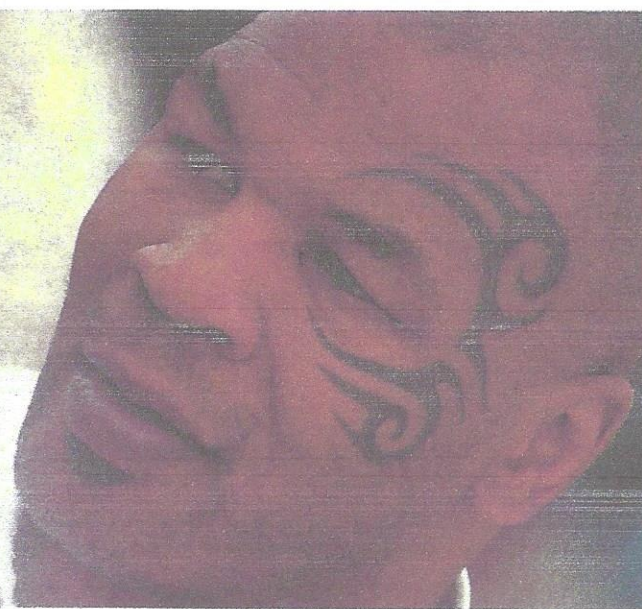


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Sheryl Swoopes

AGE: 45

SPORTS HIGHLIGHT: The first player to be signed by the WNBA when it was created in 1996.

CAREER EARNINGS: More than \$50 million.

SHAME: Swoopes ran through reportedly \$50 million in a sneaker deal to end up not even being able to pay her rent.

sticking with their goals. It's not what we want; it's what they need and want."

HALL OF SHAME

MIKE TYSON

By the time he crashed headlong into bankruptcy court in 2003, Tyson had spent his entire \$300 million in career earnings. His balance sheet came up \$38 million in the red, most of it owed to the IRS.

To say he could have used a faithful financial planner is like saying Jesus influenced a lot of people. Sadly, Tyson's story is not unique in the athletic world.

The boxer was all of 20 when he exploded into living rooms as "The Baddest Man on the Planet," knocking out Trevor Berbick to become heavyweight champion in 1986. Raised on the streets, Tyson was ill-equipped to handle the sudden fame.

"I was totally out of my league. I didn't know how to handle money, didn't know how to handle the people who were involved with me with my money," he told CNBC in an interview.

In recent interviews, Tyson has revealed bits and pieces about his financial picture. The boxer turned to the media — book deals, movie roles, a TV series and even a Broadway show — to help climb out of his financial hole.

While still in debt, Tyson is once again a millionaire, according to the website Celebrity Net Worth. Tyson and his wife Lakiha closed Dec. 28 on a two-story, 10,401-square-foot mansion in the Seven Hills golf community in Las Vegas.

According to Clark County records, the couple paid \$2.5 million for the home.

SHERYL SWOOPES

The first breakout star of the fledgling WNBA, Swoopes did not make the bulk of her money from salaries. The average league salary remains slightly more than \$100,000.

But Swoopes racked up serious hardware: She was a three-time Olympic gold medalist and

distributed by his agent and financial planner. If the player spends less than his monthly figure, those dollars carry over for him to spend in another month, Small said.

"So what he does twice a year is take his buddies on long trips," he said. "If he wants to do something crazy, like buy a Ferrari, his advisors say no and he listens."

For long-term planning, Small said life insurance and maybe an annuity can go a long way toward setting up an athlete for life.

The NBA is one sports league taking the annuity route in an effort to help its employees auto-save for retirement. The league sets aside 1 percent of basketball-related income (BRI) for welfare benefits and a post-employment annuity plan for its players.

"The goal is a 30-year goal for retirement," Small said. "It's not retirement three months down the road when you want to buy a second, third or fourth house that somebody's talking you into buying. The main thing is, the players

Jack Johnson

AGE: 29

SPORTS HIGHLIGHT: Played for Team USA at the 2010 Winter Olympics in Vancouver.

CAREER EARNINGS: About \$22.5 million.

SHAME: Johnson trusted his parents as financial guardians after signing his multimillion-dollar contract, but they apparently didn't reciprocate the love, as they racked up bills in the millions.





THE BIGGER THEY ARE...

Why do some star athletes soar with their finances and others plummet into poverty? Sometimes it just depends on innate judgment when big bucks start flowing. But the guiding hand of a conscientious advisor can prevent some of the disasters in our case studies, and help any other clients who suddenly find themselves in the ultra-high-income stratosphere.

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A **MAGICAL** MOVE FROM SPORTS TO BUSINESS

Ervin "Magic" Johnson's most recent business venture saw him purchase a controlling stake last year in EquiTrust Life Insurance Co., creating the nation's largest black-owned insurance company.

Magic Johnson Enterprises bought more than a 60 percent interest in the Chicago-based company from Guggenheim Partners. The purchase price wasn't disclosed. EquiTrust manages \$14.5 billion in annuities, life insurance and other financial products.

"We will educate and emphasize the importance of life insurance for estate planning and annuities for retirement planning purposes," said Johnson, 56, who also serves as MJE's CEO and chairman. "It's not only groundbreaking, but it continues my mission to invest in businesses where we can make a positive impact in the community."

The move into the insurance world is just the latest business success for the confident and hardworking Johnson. A member of the NBA Hall of Fame, Johnson played his entire career with the Los Angeles Lakers, retiring in 1991 after contracting HIV.

Johnson returned to play 32 games in 1996, and finished with three MVP awards and five championships.

While still playing, Johnson sought the advice of Michael Ovitz, CEO of Creative Artists Agency. Ovitz advised him to read business magazines and seek out successful people.

Johnson dove into the business world after retiring, pushing a plan to locate state-of-the-art movie theaters on cheaper inner city property. The plan was wildly successful and led to a partnership with Starbucks.

MJE went on to diversify into many different businesses and is worth a reported \$700 million today.

— John Hilton

Ryan Broyles

AGE: 28

SPORTS HIGHLIGHT: Set an NCAA record for most receptions, with 349.

CAREER EARNINGS: About \$3 million.

FAME: Broyles was a promising wide receiver who banked about \$3 million, but he caught a whole lot of good financial sense, living like a moderate middle-class earner.

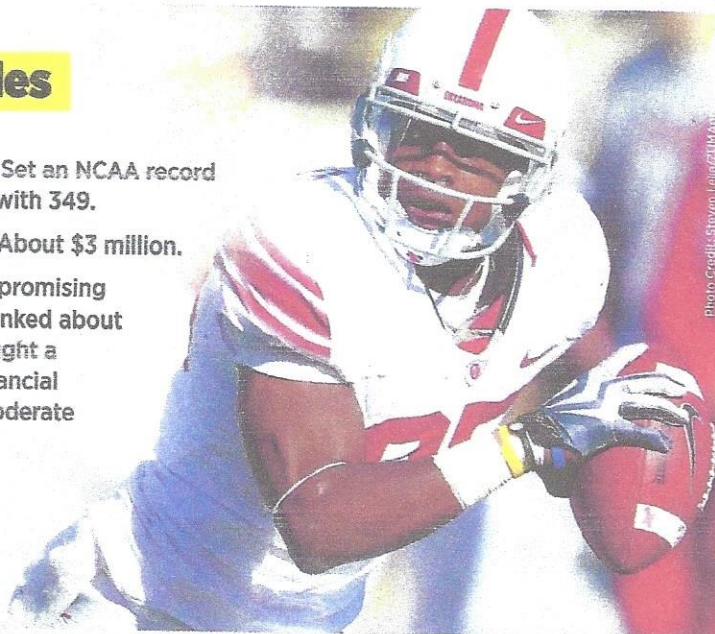


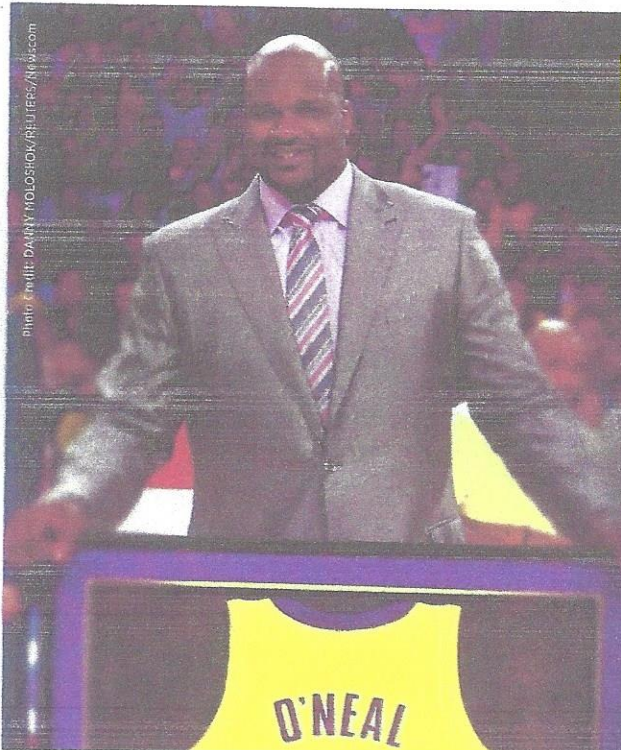
Photo Credit: Steven L. Katz/USA Today

won three WNBA MVPs and four league championships with the Houston Comets. All that TV time helped Swoopes become the first female basketball player to lend her name to a sneaker: the Nike Air Swoopes.

She reportedly earned more than \$50 million from her sneaker deals. But in the 2013 documentary "Swoopes," she said a series of bad investments combined with profligate spending caused her to lose it all.

By the end of her financial downfall, Swoopes had lost several basketball mementos from her college and pro career because she couldn't afford the \$300 monthly rent on a storage unit.

She filed for Chapter 13 bankruptcy in 2004. Five years later, Swoopes, then 37, was cut from the Seattle Storm. At the time, she was so poor she couldn't afford to pay rent.



Shaquille O'Neal

AGE: 44

SPORTS HIGHLIGHT: NBA Most Valuable Player in 2000.

CAREER EARNINGS: About \$292 million in NBA salary, and an estimated equal amount from off-the-court ventures.

FAME: O'Neal is one of the all-time stars of basketball, but he shines the spotlight on annuities as essential to securing a firm financial future.

JACK JOHNSON

In one of the more heartbreaking stories of sports stars in financial ruin, NHLer Jack Johnson was forced to declare bankruptcy after a string of poor decisions by his parents.

While NHL players do not earn as much as the stars of most other sports, Johnson, 29, signed a seven-year, \$30.5 million deal with the Los Angeles Kings after being drafted third overall in 2005. At 6-foot-1, 238 pounds, Johnson is a powerful defenseman with offensive capabilities.

But his off-ice financial health went south from the moment he granted his mother, Tina Johnson, power of attorney over all his finances. Tina and Johnson's father, Jack Sr., took out several large, high-interest loans against Johnson's future earnings, a lending practice known as "monetizing," and spent the money on homes, cars and travel.

In 2014, the *Columbus Dispatch* reported that Johnson had filed for Chapter 11 bankruptcy protection, claiming just \$50,000 in assets against \$10 million to \$15 million in estimated debts.

Lenders eventually brought three lawsuits against Jack Johnson for defaulting on over \$6 million in debt. For his part, Johnson claimed to have no knowledge of his parents' spending, but said he would not pursue criminal charges against them. Lenders claim Johnson was complicit in the borrowing scheme, pointing to loan documents he signed in person.

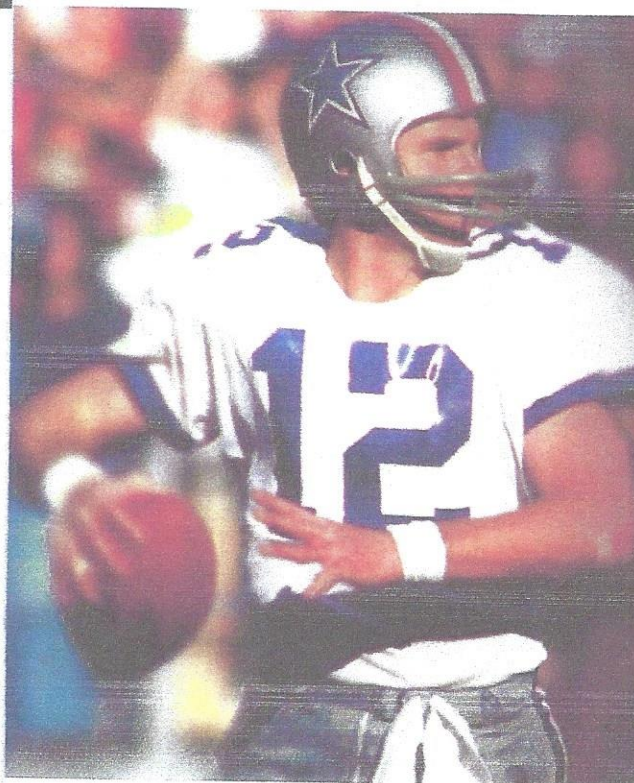
He has sued National Mortgage Resources and an investment firm, CYA Investments, for at least \$1.5 million, including for punitive damages.

Johnson continues to earn a healthy \$5 million salary, a portion of which is garnished to pay off the debts.

HALL OF FAME

RYAN BROYLES

Not all athletes are into fancy cars, cavernous mansions and bling-bling. Ryan Broyles certainly isn't.



Roger Staubach

AGE: 74

SPORTS HIGHLIGHT: Named MVP of the 1971 Super Bowl after leading the Dallas Cowboys to a win over the Miami Dolphins, 24-3.

CAREER EARNINGS: The sale of the Staubach Co. for \$663 million in 2008 dwarfed his football earnings. Staubach handed off 88 percent of the money to more than 300 of his employees.

FAME: Staubach was known as Captain America back in the day, but did you know he was a super insurance agent off the field?

In fact, the NFL wide receiver made headlines last year when he talked about his \$60,000 annual budget.

Coming off a record-setting college career, Broyles was drafted in the second round by the Detroit Lions in 2012. Records show he signed a contract worth \$3.7 million over four years, \$1.4 million of which was guaranteed.

Included was a signing bonus of a shade more than \$1 million. Broyles' first move was to seek out a financial advisor. Together, they devised a plan for the young couple (Broyles also got married in 2012) to invest and save most of their money while living on a \$5,000-a-month budget.

That meant sacrifices that made Broyles stand out among his colleagues. For instance, he drove a rented Ford Focus during training camp. At home, Broyles and his wife drive a Mazda 3 and a Cadillac SRX, respectively.

Broyles has said he came up with his plan while sitting through the NFL's rookie symposium, a league-mandated event warning rookies about a myriad of off-field dangers. And Broyles — who didn't play in 2015 after being waived by the Lions in September — is trying to pay it forward.

In March, he spoke to students about fi-

nancial planning in Washington, D.C. He has also worked with Visa and the NFL to promote a Financial Football video game in classrooms. The goal is to teach financial security and planning in D.C. as well as in Broyles' home state of Oklahoma.

SHAQUILLE O'NEAL

Legend has it O'Neal spent his first \$1 million 30 minutes after joining the NBA. That led to a call from his business advisor, explaining that he'd be broke if he didn't wise up. Raised by an Army sergeant father, Shaq decided to take the advice.

O'Neal went on to make a reported \$292 million from professional basketball alone. Off the court, he makes movies and rap albums and endorses a string of products.

He is the joint owner of 155 Five Guys Burgers restaurants, 17 Auntie Anne's Pretzels restaurants, 150 car washes, 40 24-hour fitness centers, a shopping center, a movie theater and several Las Vegas nightclubs.

O'Neal still spends lavishly on his own lifestyle as well as on friends and family. A 2012 divorce deposition revealed that O'Neal's monthly expense budget came to \$875,000. That included \$24,300 on fuel

and \$6,730 on dry cleaning — per month.

But O'Neal learned an early lesson to manage money the old-fashioned way: put most of it in the bank for retirement. The 7-foot-1 O'Neal has said he's socked away 75 percent of his income.

That includes more than \$1 million annually put in annuities, advice from O'Neal's first business manager. The monthly substantial income he can draw from annuities ensures that O'Neal's opulent lifestyle will never change much.

ROGER STAUBACH

After starring at quarterback for the Navy Midshipmen, Staubach served a five-year commitment before joining the Dallas Cowboys in 1969.


In those days, nobody made much money, least of all a 27-year-old rookie QB. So Staubach began working for the Henry S. Miller Company as an insurance salesman.

He soon switched to being a commercial real estate broker and became one of the firm's top salesmen.

On the field, Staubach won the 1971 MVP award and led the Cowboys to a Super Bowl win, the first of two championships. He continued working for Miller and was eventually named a vice president.

In 1977, he and fellow broker Robert Holloway left to form a real estate company, which they called Holloway-Staubach Corp.

After Staubach retired from the NFL in 1979, he devoted himself to his business. In 1982, Staubach bought out Holloway, who wanted to concentrate on property development, and the firm became known as the Staubach Company.

The company was wildly successful through the years, branching out into other areas, such as financial services. In 2008, Staubach sold his company for \$663 million. By that time, he had expanded his firm to 68 offices and 1,800 employees around the country. 

InsuranceNewsNet Senior Editor **John Hilton** has covered business and other beats in more than 20 years of daily journalism. John may be reached at john.hilton@innfeedback.com.

