Athletes Finance & Tax Articles

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4 KEYS TO MINIMIZING TAXES FOR ATHLETES

Among the different areas of money management that a professional athlete should know about, one of the most important is taxes. Any wrongdoing or mistake with the IRS can turn pretty quickly into a nightmare and may spoil all the money earned over the years playing sports.

With this in mind, any good advisor should help their client to not only fulfill all their tributary obligations but also look into all the elements that can contribute to lower the impact that taxes can have on any person´s pocket, especially ones with a significant income like athletes.

These are four strategies to achieve this goal:

1. **Picking a proper residence**: When is time to choose a place to live, most athletes are going to target important markets like some of the main cities (New York, Boston, Los Angeles, etc.) but this option can prove to be costly. Several states have no tax advantages for high earners, meaning that if the athlete sets its domicile in any of this given places, their tax obligations can be above 30% of their income every year.

   On the other hand, if they opt to reside in a no tax state like Texas, Tennessee or Florida, the tax burden is going to be considerably lower, helping them to allocate this money towards other uses.
2. **Mitigating the jock tax**: An athlete that does not know about the particularities of this tax – or doesn’t have an advisor that can help with this aspect - is heading down a road in which its finances are going to be in trouble shortly. The jock tax is a coined term for the contribution that a sports player has to make to state or local taxes during their time in the area, even if he’s not a resident.

The Jock Tax rules change from state to state and can be particularly complicated because all professional sports leagues have road games.
These games will make any team's players fall under this tax, but there's a way to lessen the load. If players live in areas where the tax is lower, they can make the majority of the road game taxes turn into tax credit.

If players live in a city where the taxes are higher than the Jock Tax rules, then the payments that need to be done are going to be higher.

3. Learning about the impact of taxes on signing bonuses: Signing a new contract can be a happy moment but it is important to know how taxes come into play.

Per IRS legislation, when a player puts its signature on paper and gets its signing bonus, the tax that applies to this form of income dependes on the state laws of the residence of the signer. That means that the offer that comes up when the contract negotiation takes place can be considerably lower if the beneficiary is a resident of the state of California or New York.

4. **Allocating tax deductions to earned wages vs. earned income from endorsements**: Being a professional athlete has its set of tax deductions and business expenses that enable them to lower the total contribution that they have to make to the IRS and state vaults.

   Aspects like wages and endorsements are seen differently by tributary legislation, and it requires substantial knowledge of the area to manage them the right way, so having a sound financial advisor or CPA of trust is crucial for sorting out every detail, while sticking to the law.

In the end, all professional athletes have to be aware that they have an obligation to the tax system of their country of residence. While knowing that -

within the system - there may be some legal ways to lower the sum of the contributions that they are going to pay.

But keep one thing in mind: Tax evasion is always going to end up being costier and more problematic than doing the right thing and paying what you're due, so save yourself the trouble.

TOP COLLEGES FOR ATHLETES SHOOTING FOR THE PRO SPORTS DREAM

The road towards achieving the dream of becoming a professional athlete is not easy or straightforward, but when a young talented kid joins any of these major universities, their chances of being drafted and becoming a player in any major sports league considerably increases.

Every sports team looks at college drafts as their main pipeline for skilled, young players that will come eager to compete and with a significantly lower price tag than any free agent. The pressure and level of competition that they face coming from a top college's athletic program, something that will serve them as preparation for the demands of professional sports, are also considered value added.

Basketball:

Kentucky: With 24 active players for the 2016/17 season and 29 more that has been on a team's roster in the past seven years, the Wildcats - led by coach John Calipari - are considered among the best places from where a player can be coming off.

This dominance has a long time standing and has produced NBA stars like New Orleans's Anthony Davis, Sacramento's DeMarcus Cousins, Washington's John Wall and former Boston's scorer, Antoine Walker.

Duke: Supported by the acolytes of the legendary "Coach K" Mike Krzyzewski, this Durham-based institution has proven to be a hotbed for basketball talent. With 20 players on current NBA rosters and 5 NCAA national titles, their legacy speaks for itself.

Some of the talents that have come out from the Blue Devils are Cleveland's Kyrie Irving, LA Laker's Brandon Ingram, as soon old school legends like Johnny Dawkins and Christian Laettner.

Football:

LSU: It has been almost a decade since the Tigers last national title, but they continue to deliver some of the best talents at the college level. For the start of the 2016/17, 42 LSU alums were on the active roster, and this trend doesn't seem to be slowing down.

Patrick Peterson, Tyrann Mathieu, and Odell Beckham Jr. are some of the Tiger's alumnae dazzling the crowd in the NFL.

Alabama: The Crimson Tide has a long, glorious history but Coach Nick Saban's recent dynasty has taken them to a whole new level of dominance. 4 National Titles and 35 players on this NFL's season rosters speaks volumes of the talent out of the Bryant-Denny Stadium.

Current stars that donned their uniform: Atlanta's Julio Jones, Oakland's Amari Cooper, and Cincinnati's Dre Kirkpatrick.

Baseball:

Long Beach State: A constant talent feeder for the MLB that doesn't get the recognition it deserves due to their long title drought. Last season, Major League rosters showed 12 "Dirtbags" on opening day with Evan Longoria and Troy Tulowitzki leading the charge.

Arizona State: With five national titles and more than 100 MLB players to its credit, the Sun Devils are a major force. Some of it most talented alums are Reggie Jackson, Dustin Pedroia and Barry Bonds.

External Links:

http://www.ncaa.org/about/resources/research/estimated-probability-competing-professional-athletics http://colleges.startclass.com/stories/11106/colleges-best-sports-programs

FOUR MONEY TIPS FOR ATHLETES PLAYING OVERSEAS

For many young athletes, the professional sports life doesn't come to realization in their homeland, and they get offers to take their talent to a new country.

While it may look like a great opportunity, it is one that also comes with a whole new set of challenges.

For starters, relocating to a new country to launch - or expand - your pro career will require learning a new language, traditions and ways of living, but most importantly, you have to pay attention to the nuances and particularities that every new location may pose to your finances.

Here we will give you four tips to keep in mind when you sign a contract to play in a foreign country (Outside of the US):

1. **Learn to manage your budget effectively:**

Living and playing overseas can be a learning experience for any young athlete. They will have to take a more active role on every aspect related to their finances, thinking about how they spend their money and how to make the most out of their earnings.

Facing this type of responsibilities will give an extraordinary amount of valuable insights on money administration, expenditure, and investment for the rest of their career and their future.

2. **Keep a complete set of copies of your foreign earnings statements, pay stubs and playing contract:**

At first glance, you may think that this is a task that should be performed by your agent but don't be mistaken, any tax discrepancies or a potential sign of tax evasion will fall on you, so it's better to stay on top of things.

Having each and every financial document in your possession allows you to establish a solid record of every penny you've earned and the contributions that you pay during your career overseas.

3. **Learn from - and all about - your agent:**

While most athletes will confide and work with the same agent anywhere in the world, the financial aspects of the relationship will change if they get a contract to play overseas.

One important aspect that changes from playing in the US is the fact that when signing a deal internationally, the team offering the contract pays the agent a fee, not you. If they tell you otherwise, they may be trying to scam you.

4. **Save all your sport related expenses receipts:**

An excellent way to maintain the help of your finances intact is being overzealous and meticulous on anything that can be tax related.

Being a professional athlete goes beyond just getting paid to play a sport, it also means that any expense related to your discipline (Equipment, travel fares, agent fee, etc.) may count as a tax deduction. To learn more about what can count and what can't, visit the IRS website or talk to your financial advisor.

If you’re mulling over an overseas offer, keep these tips in mind as soon as you put pen to paper, and you’ll enjoy this experience without facing any financial hiccups.

BASIC TIPS ON DUE DILIGENCE FOR VENTURE CAPITAL INVESTMENTS

When somebody is about to enter the investment world, it's expected it that they are aware of the fact that, whether someone is an investor or entrepreneur, there’s always going to be a certain amount of risk.

With this, Due Diligence becomes an ally for either side when it’s time to make a decision.

The Due diligence in Venture Capitalism is a fact-gathering process in which the investors make a thorough evaluation of the company in which they’re interested in, to support their analysis and decide if they will put their money into the project or not.

For this process to be completed thoroughly, there are three states: Screening due diligence, Business due diligence, and Legal due diligence. After its completion, both parts should have sufficient information to make a decision.

With this in mind, these are four basic tips for Due Diligence:

1. **Check everything you need to know thoroughly:**

Entrepreneurs are driven people, looking eagerly to find the funds they need to start the idea or business of their dreams but, as an investor, you should avoid been carried away by their enthusiasm.

Therefore, before signing any check, make sure that they answer your every question about how the business. From the way, they will manage the funds, all the way up to what are the mission and goals of the company.

2. **Keep your line of communications open:**

Due to the fast pace of every day, some investors may not be capable of staying in touch with the companies that they work with, but even in these cases, the information must continue to flow between both parties.

If that's your case, you should have an advisor or assistant that can handle these tasks, which consist of not only keeping you informed but also answer any doubt or request that may come from the entrepreneur side.

3. **Consider talking to other investors:**

In most cases, an experienced advisor can become the best asset for all of your investment needs, although exchanging ideas and getting some feedback from other investors like yourself can open a whole new perspective in the process, along with the possibility of new business opportunities for the future.

4. **Build trust and confidence in your investments:**

Every investment represents a chance to use your money wisely and making growth into more wealth, but behind each business venture, there are real people, and they are the engine behind those ideas.

You have to know full well that working with people you can trust or, at least, develop an honest and transparent work relationship will help you greatly in staying away from scams, frauds or any financial bamboozle that may cross your path.

Anytime you follow these basic tips and make every decision after a lot of thought, you're chances of a positive outcome of the business increases, allowing you to acquire not only more money but also valuable experiences as an investor.

TAX PLANNING FOR THE AMERICAN DREAM

Every year thousands of immigrants – especially high net worth individuals - decide to take a leap of faith and migrate to the United States. While this decision can improve their life in all sort of ways, is also one that should carry a lot of preparation.

By itself, the process of migration offers many challenges to every individual, but one that stands across all socioeconomic levels is the proper handling of the US taxation system.

It is important to be aware that the IRS is the entity that governs the taxation load of each and every US resident and/or resident.

Learning about the US Taxation system

Taxes are a topic of primary importance in the US, especially if you're a businessman or professional athlete planning to establish residence on American soil, mainly because any lack of preparation can result in a heftier tax load.

From Income Taxes, all the way up to State taxes, knowing all about the applicable taxes allows the individual to lessen its impact.

Also by staying on top of the terminology and rules that apply to each particular case, the person can identify when something is an Effectively Connected Income (ECI) or Fixed, Determinable, Annual, or Periodical Income ("FDAP" Income), allowing to produce a proper tax declaration when the time comes.

Solid preimmigration plan:

According to the lawyer Jacob Stein, there are four stages of the pre-immigration taxation planning. These are Recognize Capital Gains, Accelerate Income, Defer Loses and Deductible Expenses, and Foreign Trusts.

Each of these steps provides any individual (Especially the ones that are wealthy) that's considering to migrate to the Land Of The Free the opportunity of setting itself in the best possible condition for its new life on American soil.

Perspective and sound judgment are essential for an athlete's financial situation:

For the span of their careers, professional athletes can make incredible amounts of money for their skills, in some cases more than they will need in life but it takes effort making it last that long.

Most people will agree that it's easy to manage that kind of money last, but in reality, it's not. In the type of environment that players hang during their career, luxury, bad decisions and showboating are frequently seen traits, and they can erode their paychecks in no time.

The future 2-time MVP that didn't get paid like one:

One of the best cases for showing sound judgment and clear perspective is Golden State Warrior's Steph Curry.

Since his arrival to NBA as the 7th pick of the 2009 draft, Curry's talents were present and valued highly, but not many people could predict the ceiling for his particular skillset.

In 2012, it was time to sign the extension of his rookie contract, and while the talent was there, several injuries have slowed his progression and people around the league did not see Curry overcoming them.

Still, the Warriors went ahead and offered him a four-year $44 million contract. For most players of that level, that offer would not have been enough, and they will start looking for better deals elsewhere.

But not Curry. According to several interviews, he was focused on his situation and thought that it was getting a good amount of money that allowed him to provide for his family, and he was ok with it.

It is of particular importance to notice how he, not being sure about what the future holds, didn't pay attention to the fact that there were 82 players across the league making more than him at the time, including some less talented than he.

A king’s ransom for good judgment:

Head forward to 2017 and Curry’s situation have changed considerably.

This time around, the son of former NBA player Dell Curry is a two-time MVP and have carried his team for three straight NBA final against the Cleveland Cavaliers, winning one and losing another, while breaking multiple records in between.

After all the success achieved in these four seasons, Warriors’ patience paid off and the point guard’s logic it will reward him greatly this summer.

Curry is expected to put pen to paper a new five-year agreement with Golden State for $207.4 million (The Largest in League’s history), taking his yearly salary from $12.1 million to $35.7.

One of the keys to developing such a stable mindset was his father, Dell.

It was he that gave him a piece of advice that not only allowed him to make the most out of every deal he signs but also should be considered as a commandment for good finances for professional athletes: “never count another man's money.”

THE TAXATION OF ROYALTY PAYMENTS TO INTERNATIONAL ATHLETES

This article discusses two critical issues that should be considered by a non-US athlete before entering into an endorsement agreement.

1) The first issue is the potential tax benefits that could apply to a non-US athlete who is a resident in a country that has an income tax treaty with the United States. This can result in the United States reducing or eliminating the imposition of tax on royalties.
2) The second issue is the significance of properly allocating the endorsement payment to services and royalties.

Taxation of US persons vs. Non-US Persons:

For US federal income tax purposes, the distinction between an individual's status as a US person versus a non-US person is critical.

A US person is an individual who is either a

- US citizen
- A US green card holder, or
- Considered to be substantially present in the United States

All other individuals are not considered US persons. US persons are subject to US federal income taxation on their entire worldwide income, regardless of the source of the income. For athletes, this generally includes salaries, endorsement income, royalties, bonuses, dividends from US and foreign companies, prize money, capital gains, and other forms of income.

Non-US persons are subject to US federal income tax on only certain types of "US source" income. For these purposes, US source income generally includes

- Income effectively connected to a US trade of business (ECI)
- Certain types of passive income from US sources that are not derived from a US trade or business, such as dividends, rents and interest (FDAP income).

For non-US athletes ECI will be more relevant, which could include US source service income and prize money. Non-US persons generally are not subject to US tax on foreign earned prize money and non-US source endorsement income. ECI is taxed at graduated rates (currently a top marginal rate of 39.6%) for US persons, and allowable deductions may be taken against such income. On the other hand, FDAP income is generally taxed at a flat rate of 30% (or a lower rate where the terms of a US income tax treaty apply) and no deductions are allowed. Finally, if a non-US person sells certain personal property, even if the property is located in the United States, capital gains from the sale may be considered "foreign source" income and not subject to US federal income tax. This may be relevant where a non-US athlete sells his or her image rights.

Taxation of Royalty Income:

The annual income from endorsement contracts is one of the most common types of income professional athletes. Some of these endorsement contracts require the athlete to wear the sponsor's apparel and use its products during performance; these are called an "on-court" or "on-course" contract. Other contracts simply require the athlete to endorse a brand or product by allowing the sponsor to use the athlete's name, image, fame or likeness in its advertising, called an "off-court" contract.

Most on-court endorsement contracts, either explicitly or implicitly, contain both a services component and a royalty component. For the *services* component, the athlete is compensated for performing "service days" that might include testing new products or entertaining corporate executives. The *royally* component consists of compensation for the sponsor's right to use the athlete's intellectual property, including his or her name, fame, image, and likeness in the sponsor's advertising, The US federal income tax of these two components can vary, in some cases drastically, depending on whether the taxpayer qualifies for the benefits of a US income tax treaty.

Income Tax Treaty Benefits:

For purposes of this article, the reference is the US-Netherlands Income Tax Treaty to provide a general overview of the treaty articles, which are common in most US income tax treaties. Article 13 (royalties) of the US-Netherlands Income Tax Treaty provides that royalties derived and beneficially owned by a resident of a foreign treaty country shall be taxable only in that treaty country unless attributable to a permanent establishment.

Therefore, if the taxpayer is a resident of the Netherlands and qualifies for the benefits of the US-Netherlands Income Tax Treaty, the royalties may only be taxable in the Netherlands, absent the individual having a permanent establishment or fixed base in the United States. Article 15 (independent personal services) provides that income derived by a resident of a treaty country in respect of the performance of “personal services in an independent capacity” shall be taxable only in the country of residence unless the individual has a fixed base regularly available to him or her in the source country for the purpose of performing his or her activities. If the individual has such a fixed base, including an office, then the portion of income attributable to that fixed base can be taxed in the country where the services were performed. To illustrate, if a Dutch resident tennis player qualifies for the benefits of the US-Netherlands Treaty and has no fixed base in the US, money earned from signing autographs on his own account would likely not be taxable to him in the US under article 15. Article 18 (artistics and athletes), however, which is specifically applicable to athletes, may also apply to income derived by the athlete that relates to his or her personal activities as an athlete. If article 18 applies, the income in question will be subject to tax in the source jurisdiction to the extent derived from the athlete’s personal activities as an athlete in that country.

In determining whether the income is subject to article 18 or another article, such as article 13, the controlling factor generally is whether the income is question is predominantly attributable to the performance itself or other activities or property rights. Income from awards or prize money would typically be covered by article

18. In contrast, income that is not earned from playing tennis or not predominantly attributable to playing tennis generally should not be covered by article 18.

Most Importantly…

Anon-US professional athlete should consider US federal income tax as early in the individual's career as possible, as the stakes are high and performance and endorsement income can span 10 to 20 or more years.

4 TIPS FOR SMART MONEY MANAGEMENT FOR PROFESSIONAL ATHLETES

Professional athletes face many challenges on and off the courts and one that appears to be the most daunting is money management. Peer pressure, expensive lifestyles, giving beyond their means and an irresponsible family planning are some of the most frequent pitfalls that can drive any man's finances into the ground.

Having a substantial income provides a lot of room for growth while establishing the groundwork for a comfortable debt free future at the same time. Making smart financial decisions as soon as you become a pro is a great way to avoid being part of the large percentage of athletes that ended up broke or severe financial strains after their career was over.

Here are just four smart money management tips for athletes:

1. **Start with the end in mind:**

Recently retired NFL Running Back Arian Foster recommends that every athlete analyze each contract as if it is the last one they will ever sign because your career in sports can be over at any moment. Spend below what you earn so you can save consistently, which will lead to building a nest egg that will allow you to invest conservatively and live off the interest and dividends.

His wealth manager, Humble Lukanga, offers some simple advice: "Let's win this race at a turtle's pace!"

NFL Running Back Arian Foster linked to → http://www.nfl.com/news/story/0ap3000000727497/article/dolphins-arian-foster-announces-his-nfl-retirement

2. **Built a solid foundation:**

Metaphorically speaking, wealth accumulation works like a pyramid. An athlete's finances should try to mimic this model, by starting with a solid foundation (cash, fixed income, and stocks). Some forms of investments like private deals, real estate, and other ventures like restaurants, bars, and music production companies frequently sound more exciting, but there is no need to take unnecessary risk.

When establishing a strong foundation is the first step, the use of a slow and steady, methodical approach will create enough room for some of these other types of opportunities in the future (within reason).

However, taking a careless approach with these alternative investments early in your career could significantly damage the base, causing the pyramid to crumble.

To learn more about investments, click here and get 8 investing lessons from NFL players.

Link to → http://money.usnews.com/investing/articles/2016-05-05/8-investing-lessons-from-nfl-players

3. **Mind the details:**

From contracts or investing all the way to insurance, be aware of every detail. Some of the worst financial decisions come from not knowing all the terms and conditions. Sometimes something that seems minor, like the type of life insurance, can have a major impact on not just athletes, but anybody's savings.

An athlete can ensure that finances are moving forward in the right direction by keeping track of every bit of relevant information or having somebody help them in that regard.

Do you want more lessons? Check out these 10 money lessons from professional athletes worth millions.

Link to → http://www.businessinsider.com/money-lessons-from-professional-athletes-worth-millions-2016-6/undefined

4. **Start Planning for your retirement as early as you can:**

One of the most important psychological traits that enable professional athletes to succeed is self-confidence. However, a major obstacle that separates them from attaining long-term financial security is overestimating the length of their sporting career.

To assure their financial well-being, athletes should start planning as soon as they sign their first contract. It is important for an athlete to know that they should not rely on saving for retirement from a future contract, because factors like injuries, age, and declining talent may result in not getting another one.

To learn more about retirement, click here:

http://money.usnews.com/money/retirement/slideshows/9-retirement-planning-deadlines-you-shouldnt-overlook

Keep in mind, the most successful athletes are the ones that start planning for their retirement early and contribute to a retirement fund from every paycheck.

Money Management is no rocket science but requires knowledge, consistency, and good planning.

SPORTS & FINANCE SERIES – PART I

TIPS TO KEEP ATHLETES OUT OF TROUBLE

Athletes are a special breed. Success comes more often than not at a young age and with a very large paycheck. For them to succeed in the management of their finance there is a lot that needs to happen.

In this series, I will start sharing some tips that I have learned in my career that have helped athletes as well as High Net Worth individuals to stay in the green and out of tax trouble.

1. **Plan, Plan, Plan:**

Young people live in the now. Successful young people are no exception. Having a healthy awareness of the risks and possible downfalls is very important. Athletes know that they have a young career cycle, however, their planning many times does not coincide with this awareness. Just the basics of putting money away, analyzing contracts and living within their means goes a long way.

2. **Don't let taxes go to the back burner:**

Smart athletes know that the talk about taxes comes when negotiating deals. A good deal is always structured with payments over time and has tax implications in mind.

3. **Get a good team of advisors, not necessarily your relatives or friends:**

Everybody will turn to their best friend, uncle or brother for advice. But they are not always the most trained in money and finance. Look for the best professionals out there, consult and evaluate your options.

4. **Don't put all your eggs in one basket:**

The number one fallout for athletes is real estate purchases and bad business investments in “opportunities” that friends or relatives have introduced for them.

5. **Read documents! (Or have someone read them for you):**

Just like lottery winners, there are a lot of sharks out there going after athlete’s money. It is not unusual to see huge financial fallouts just from documents that went unread by the athlete or their trusted advisors.

SPORTS & FINANCE SERIES – PART II
TIPS TO KEEP ATHLETES IN THE GREEN

Here is the second part of our series on successful money management for athletes.

6. Don't go with the flow:

We have seen it time and again: an athlete that makes it to the big leagues will get enticed by his colleagues, friends and family to "upgrade" his lifestyle, in many cases - if not most of the times - to a level that he or she cannot really afford.

Just like in every family, there should be a budget, a plan, and a foundation first. Then, and only then, you can decide whether that big-item purchase deserves your attention.

7. Let your advisor be the bad guy:

Just like we said in part I, finding the right advisor is an athlete's (and any wealthy individual's) first great challenge. Once you have them though, use them wisely: they should be the ones turning away investment "opportunities" or having other money conversations with your loved ones.

8. Delegate, don't abdicate:

Money and finance is a very delicate and complicated issue for many. It can even be puzzling and stressful. But if you want to be on the safe side, always be involved, ask questions, be proactive and just be aware of the numbers involved in every purchase, service and decision you make.

9. Keep your investments simple:

As smart as complex financial instruments or investment opportunities may sound, it is always best to keep it simple. Try to invest only in what you understand.

How Athletes can use the growth mindset to manage finances

How can we help athletes better manage money? One 'life -hack' that can be helpful is the use of a 'growth mindset' to better manage finances and life for that matter. I recently came across a post on how to reduce stress, it included seven tips on how to relax and live a better life. A few of the tips struck a chord and I started to see how they can be applied to the matter at hand.

Tip number five is to develop a growth mindset -- so how can it be applied to athletes?
The theory is based off the book *Mindset* by Carol Dweck, a social psychology professor at Stanford University, who explains the different type of mindsets.

From the book:

*"A **fixed mindset** comes from the belief that your qualities are carved in stone – who you are is who you are, period. Characteristics such as intelligence, personality, and creativity are fixed traits, rather than something that can be developed.*
*A **growth mindset** comes from the belief that your basic qualities are things you can cultivate through effort. Yes, people differ greatly – in aptitude, talents, interests, or temperaments – but everyone can change and grow through application and experience."*

Looking at the chart I can see examples of successful athletes with a growth mindset.

The first step: embrace challenges. See Dwayne Wade taking business classes at Harvard Business School. His thirst for knowledge will help him handle the business side of life – so important in today's endorsement-driven world. By being open to learning, he's willing to grow.

Former NBA player Adnon Foyle - author of a book about athletes and finances - talks about asking the right questions.

"I think that players continue to make bad decisions in part because they're afraid to ask questions and in part because people just try to take advantage of them," he told NPR a while back.

Many young athletes are afraid of asking questions, as they don't want to appear dumb. That's why it's great to see programs like the Financial Literacy Program created by Justin Tuck and his wife. These athletes are embracing the challenges and educating others on how to handle them.

Some other traits of the *growth mindset* are 'effort as a path to mastery' - does Michael Jordan or Lebron James ring a bell? Or finding lessons and inspiration form the success of others. It made me think of Jamal Mashburn – now a successful businessman – and the impact coach Rick Pitino's book had on him. They are now business partners as well.

A growth mindset will push athletes outside their comfort zones. Using this mindset in finance will help them develop confidence to ask the right questions and make the best decisions.

Any other good examples you can think of?

WINNING THE MONEY GAME: SOME TIPS AND AN EXAMPLE

One of my favorite books is *Winning the Money Game*, by Adonal Foyle, a 13-year NBA professional.

In this book, Foyle is doing a lot to lay out the challenges that athletes face, as well as providing education and tips to help them succeed.

My favorite part is his work on profiling players and a good example of where they decide to live and how much they pay on taxes, as well as some simple tips.

TIPS:

1. Find a professional to help prepare and file your taxes
2. Pay taxes on time and in full. Paying late will only cost you in penalties and fees.
3. Remember that side income is taxable
4. Maintain accurate financial records. Everyone loves cash. But cash can be hard to keep track of if you don't keep all your receipts.
5. Take as many tax deductions as possible. The more tax deductions you claim, the less you pay.
6. Invest the maximum in your 401 (k) and other pension plans.
7. If you generate enough money on the side, establish a Limited Liability Company (LLC)

BIG BALLER TOM:

Big Baller Tom lives in California and pays a high state income tax. In California the state tax is 13.3 percent.

Remaining income: $5,052,760

Federal Tax (35%): -$2,582,216

State tax (13.3%): -$981,242

Income after taxes: $1,489,302

STEADY JOHN:

Steady John decided to live in Florida, which means he pays no state income tax.

Remaining income: $6,223,760

Federal Tax (35%): -$2,237,466

State tax (0%): -$0

Income after taxes: $3,986,294

First time working with a financial advisor? Here are your four meeting talking points

An important aspect of working with a financial advisor is understanding what they're talking about. It doesn't matter the topic, investments, taxes or retirement plan, it should be clear and concise. Their job is to simplify everything for you, but you'll need to be informed and ready to ask questions.

It can be a stressful experience, but it doesn't have to be. Follow these conversation topics and tips to get the most out of it.

1. **Your contracts:** how should your contracts be structured? In general it is recommended to think long term and negotiate a contract that differs payments over an extended period of time. It will ensure you have an income over an extended period of time and prevent too much money too soon. Take it one step at a time.
2. **The long-term talk:** You'll want to share your retirement goals with your advisor. This will help get everyone on the same page and working towards a common goal. It's easy to get off track, so don't lose focus of the long-term goals and if anything changes alert your advisor.
3. **Long-term tax.** Discuss different tax scenarios as well, it can get complicated for athletes as discussed here before.
4. **Investments: stay small and diverse:** When it comes to investments, we think it's better to start off small, investing 10% of your income at the beginning. Slowly moving to 20% and up to 30% when you've reached a comfortable level. Discuss your investment plans with your advisor.

The overarching theme:

Make sure you ask your advisor a lot of questions and make sure you are getting to all the available different options.

It’s key to know exactly where your money is going and they should be able to help you do that. A lot of options in terms of investments, advisors and other ideas will come your way, but take a step back and analyze the situation.

In any case, the first thing you must do is have a budget, a foundation and a plan to guide you. Then and only then, you can decide what your plan will be.

Mostly, work closely with your advisor and build trust, it’s the only way it will work.

If you really want to do your homework, send these five questions to your advisor ahead of time and you will leave the meeting with what really matters.

THE MONEY WILL COME IF YOU PLAN FOR THE LONG- GAME

Tips for Hassan Whiteside

NBA Free Agents: Don't just chase the money:

As NBA free agency approaches, a lot of us will be following the Hassan Whiteside story. If you haven't heard, his journey through semi-pro leagues, teams in China, Lebanon and finally the Miami Heat, is a good fit for any Hollywood sports movie. It's also a good illustration of how quickly an athlete can go from earning a basic NBA salary to a possible max contract.

It seems that for Whiteside, this free agency period, will be his first change to sign a big contract. He'd been playing for under a $ 1 million for the past two seasons. Many young athletes will become rich over night and most are not prepared. I've compiled many tips through the years and here are some I would pass on to Whiteside.

Money basics will take you a long way:

Once the contract is signed, it's time to plan ahead and put some money away should the worst happen. Young people live in the now. Successful young people are no exception. Having a healthy awareness of the risks and possible downfalls is very important. Athletes know that they have a young career cycle, however, their planning many times does not coincide with this awareness. Just the basics of putting money away, analyzing contracts and living within their means goes a long way.

Trust your advisor:

Athletes face complicated tax issues that require guidance from a professional not your favorite uncle or friend. The income tax rate for athletes can be as high as 50 percent. In addition, they pay taxes at home and in the states where they perform.

In the U.S. 20 of the 24 states with professional sports teams collect income tax on their home and visiting teams. Athletes actually have a 90% chance of being audited by taxation authorities. To conserve your peace of mind plan ahead and avoid uncomfortable situations with Uncle Sam.

Don't go with the flow:

We have seen it time and again: an athlete that makes it to the big leagues will get enticed by his colleagues, friends and family to "upgrade" his lifestyle, in many cases – if not most of the times – to a level that he or she cannot really afford. Just like in every family, there should be a budget, a plan, and a foundation first. Then, and only then, you can decide whether that big-item purchase deserves your attention.

As Gary Payton recently said, these young men are in a fortunate situation, being able to control their own destiny. But to succeed, he says, **don't chase the money; chase the opportunity** that will benefit you most in the long run and the money will come.

FOUR TIPS FOR AVOIDING LUMPS ON TAX RECORDS ATHLETES: GET YOUR TAX GAME RIGHT

Kevin Hart perfectly illustrates the issue athletes face in a recent "Comedians in Cars Getting Coffee" episode. He tells Jerry Seinfeld the story of when he signed his first contract (around the 14:00 minute mark). In his mind, he "had made it." He bought a new home and cars for his mom, his dad and his brother. In his mind that was it, he was rich, and all was good.

Until one day his manager called and delivered the news of the amount he owed the IRS. He had failed to have the tax talk. Just like that, the money was all gone and he had to tell his dad "we're going to have to sell the house."

This can all be avoided with just proper planning. Athletes and high earners face unique tax issues that require professional help. Here are some tips that can help athletes stay in the green and out of tax trouble.

Want to enjoy retirement? Be prepared:

An athlete can be audited even after 3 years of the initial filing, meaning the IRS can pop in as they are enjoying retirement. By planning properly you can avoid penalties and potential civil and criminal charges. It's a hassle you don't want to deal with.

Play with the odds:

Did you know athletes have a 90% chance of being audited by taxation authorities? To conserve your peace of mind plan ahead and avoid uncomfortable situations with Uncle Sam. For the rest of us the chances of being audited is much lower.

Have penalties in mind:

The penalties can equal nearly 50 percent of the original tax burden plus monthly interest. Tax trouble can also damage your reputation and image; two things that are key to succeed in the endorsement-driven world we live in.

More money, more sophistication:

Athletes face complicated tax issues that require guidance from a professional - not your favorite uncle. The income tax rate for athletes can be as high as 50 percent. In addition, they pay taxes at home and in the states where they play or perform. In the U.S. 20 of the 24 states with professional sports teams collect income tax on their home and visiting teams.

How to Bridge the Financial Education Gap:

We all view money differently; we all have different ideas about saving. To illustrate, we take a look at J.R. Smith and Caris LeVert's recent thoughts on money.

J.R. Smith, 2016 NBA Champion, Opens Up on Big Life Changes and New Opportunities August 2016:

> "A lot has changed for me mentally and materially. I used to in the summertime spend ***so much money doing*** a lot of fun stuff. Now, I'm actually consciously trying to save, ***so we can live how we want to live after basketball***. I've even sold a few things. More than anything, being in that dad role is more important now. I know I have to leave something for these girls. I don't want to leave them with bills or anything."

Caris LeVert, Brooklyn Nets, the 20th overall pick in the NBA draft, responds to Ian Begley's question: **"**Has there been a big surprise about life in the NBA?"

> "I got my first advance from the team the other day, living in New York is pretty expensive, ***and they took out like 60 percent,*** so I wanted to cry after that. That was probably the biggest surprise."

Caris LeVert is a 21 year old rookie in the NBA. J.R. Smith, 30 years old, is a 12 year NBA veteran.

The dichotomy of how J.R. Smith and Caris LeVert view money isn't much different than how other 21 and 30 year old individuals view money. When I received my first check at my first job after college in New York City, my first reaction was: "Yikes! I have to live on this (40% of what I get paid! I am in trouble)". A lot changes between the ages of 21 and 30. However, the main difference for athletes is that they may only have a few years of high earnings potential, and if they are lucky they can stay in the game a few additional years.

Due to the high earnings at a young age, an athlete can spend excessively on non-essential items and face extreme pressure to spend or buy things for friends and family members.

So how do you bridge the gap between a Caris LeVert rookie and a J.R. Smith veteran mindset?

First, the athlete should try to live below their means for at least a few years. If he/she makes an annual salary of $1.6 million, they should live like they're making $800,000. Put the rest away in savings (net after taxes). Save for a few years until you have a cushion or safety net. Players should spend as little as possible if they have the internal makeup and don't have the financial obligations. The more they can save the better.

Another option is to auto deposit a certain percentage of your paycheck into investments or savings account. Payroll companies will let you deposit your check into more than one account. Automatically depositing, say 20%, of your paycheck into a side account will be as though you never had the money.

Rob Gronkowski, nicknamed "Gronk", is an American football tight end for the New England Patriots claims he hasn't spent any of his earnings from football for the last five years. That takes great discipline, but look at the position he is in thanks to his patience.

Take classes about business and investments – learn as much as you can, limit consumption and learn to invest.

Long term v. Short term – two extreme examples:

In 1984, the owners of the fledging St. Louis Spirits of the American Basketball Association ("ABA") held onto a 1/7 interest in the ABA's share of the NBA future league profits. (The NBA wouldn't allow the Spirits of St. Louis to merge into the NBA like the other ABA teams, Denver, New York, San Antonio and Indiana. The NBA had no need for a franchise in St. Louis). In order for the owners of the fledging league to sign off on the ABA merger into the NBA, the Spirits owners insisted on the 1/7 interest in future profits. That 1/7 interest in 1984 turned into $500 million in 2014.

In 1968, Spencer Haywood, a great NBA and college basketball player, became the first athlete hired by Nike to endorse sneakers. Nike, a much smaller company in the late 1960s, offered Haywood a choice: $100,000 or 10% ownership of Nike. Spencer Haywood took the $100,000 (he needed the money). That 10% interest in Nike is now worth $8 million.

These are extreme examples to illustrate the point of the importance of savings and investing. You have to invest to set yourself up for the long-term. In summary, put aside savings with each paycheck to ensure your financial well-being in the future.

THE TAXES CHALLENGE: A SUMMARY

Taxes are no easy feat for pro athletes, especially when they are starting out. And depending on where they live, it can get a bit more complicated. These are just some of the factors they should consider.

To start, each state taxes an athlete at their income tax rate for every day that they play (work) in their state. However, the same income is also taxed in the athlete's state of residence.

To avoid double taxation athletes can take a tax credit on the state’s tax return (where they live) for the taxes they pay to the other states where they played in during that year. A few exceptions like Texas and Florida - where they don’t tax income - don’t offer a credit.

For example, Carmelo Anthony is a New York City resident. He will disburse a combined New York state and New York City tax rate of 12.69 percent on his earnings playing professional basketball for the Knicks.

When the team travels to Boston to play the Celtics, he would be subject to a Massachusetts income tax rate of 5.15 percent for every “duty day” he’s playing in the city of Boston. When filing his home residence taxes he would receive a tax credit for the amount he paid to Massachusetts to avoid “double taxation” and reduce his New York tax liability.

To continue with the illustration, he is taxed for every “duty day” he played in the city of Boston at the Massachusetts income tax rate of 5.15 percent. The majority of states and cities assess “The Jock Tax” by calculating “duty days,” which is the number of work days spent in that particular state.

The most basic tax deductions for athletes might include agent fees, union dues, business meals and expenses related to training.

It can be a challenge to navigate, especially when athletes are just starting out. That is why they should always be aware of the quality of their advisors. A good advisor will make sure the athlete is receiving all the breaks he needs to protect their reputation, as well as their future.

HERE’S A WIN-WIN IDEA: THE NBA COMMUNITY BANK

Contracts in the range of $3 billion to date were agreed to in principle by this years’ crop of the NBA free agent stars. Much has been written about the problems many athletes face when coming into large contracts and a huge inflow of money difficult for any person, let alone a young, inexperienced in finance athlete, to handle.

So NBA players receive the impact of new money through free agent signings, with no proper training or tools to manage the money.

So what is the situation that makes me think of an NBA Community Bank? In summary:

- The NBA, team owners, managers and players have a longstanding history in their commitment to community. For example, the Miami Heat organization and players are constantly giving their time and money to the community (their generosity is incredible);

- There are plenty of examples (unfortunately not the majority) of sports players that have successfully managed their finances, and…

- I consider extremely important to bring awareness of two serious problems: inner city economic blight and a lack of personal finance education for athletes and our citizens.

So what is the NBA Community Bank? An idea that I consider can help start to solve these two problems.

An NBA Community Bank in every NBA city is a chance to create some greater good from the wonderful opportunity bestowed upon NBA players, and a chance to give back.

The NBA Community Bank:

So this is how it works: NBA players defer or exchange a percentage of their salary (based on a formula to be determined) for equity (stock ownership) in a local community bank.

The community bank raises additional capital in the form of equity and debt in the financial markets and investment community. The funds are then used to create economic growth by lending to new businesses that can create jobs in the most affected areas of the inner cities.

Upside, the Benefits and Win-Win:

- Capital is sent to areas badly needed in our country to promote jobs and economic growth.

- A part of a player’s salary is going toward investments (savings) for their future post retirement, as opposed to immediate consumption.

- Stock ownership in a local community bank provides athletes with the opportunity to learn about finance and business. How can that be bad? It is the recipe for a growth mindset.

- The NBA and the players continue to do meaningful work in the community but in an organized way through economic power in areas that need it the most. How is that bad? Lots of goodwill is created.

- So what do you think?
- Even if you don’t like the idea of the NBA community bank, I still think that both athletes’ financial education and help to inner city are two issues that need attention. Remember, we all benefit when the world is safer, citizens are productive and feel economically secure.

A Sky Full of Stars,

Cause you’re a sky cause you’re a sky full of stars I’m gonna give you my heart

Cause you’re a sky cause you’re a sky full of stars Cause you light up the path

--Coldplay

FINANCE: PREPARING ATHLETES FOR THE LONG GAME

For most pro-athletes a good career lasts between five or seven years – a lot shorter than say, the career of a doctor or a lawyer. Of course there are a few elite athletes that go on to have long successful careers, but it's not the norm.

That's why the first contract is so important in an athlete's career – it can be their first and last, so a professional should carefully evaluate it.

Once the contract is signed, it's time to plan ahead and put some money away should the worst happen. Early money management tips will make all the difference and it's never too early to start, see this new course at Arizona State University that teaches future athletes how to hold on to their millions.

As we've seen in the past, the fun won't last forever and problems may arise soon after retirement. However, guidance early on in an athlete's career can help them achieve top performance and financial peace of mind. They should surround themselves with smart advisors that truly have their best interest in mind, not just their pockets.

Did you know that:

- 78% of NFL players face bankruptcy or serious financial stress within 2 years of leaving the game
- 60% of NBA players face bankruptcy or serious financial stress within 5 years of leaving the game
- MLB players file for bankruptcy 4 times more often than the national average