Family ties

How athletes and entertainers navigate the financial expectations of family and friends

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"There's a need to show you made it. You have a level of commitment to people who were around and were there to support you."

Rushia Brown
Former WNBA star

Behind every professional athlete and entertainer

are family and friends who have been to countless practices, games, rehearsals and shows, lending their support from the sidelines. Financial expectations from this inner circle are common. After all, they were there from the beginning—before fame, fortune and multi-million dollar deals. Saying no to these monetary asks might seem straightforward. However, our research shows that these decisions can be difficult and fraught with guilt. Determining how much wealth to share, with whom and when requires a thoughtful strategy and discipline. We spoke with athletes and entertainers, both those who have built enduring legacies and those who lost their fortunes, to learn what insights they would share with other stars.

You're the hero

Athletes and entertainers are looked up to as heroes. They are often the first person their family and friends call when there is a financial need. Many hand out gifts and money freely because they feel selfish saying no and genuinely want to help, especially those who have experienced poverty or financial stress themselves.

"Some athletes are taking care of entire communities of family and friends, sometimes for 10 to 15 years. They have really good intentions but fall into financial hardship because so many people depend on them for support," said Mason Plumlee, center for the Charlotte Hornets. Ironically, these acts of unchecked generosity can put all parties at greater risk. Family and friends become financially dependent and are not incentivized to empower themselves, while athletes and entertainers lose the opportunity to invest their hard-earned money.

Too many lose their wealth

8 out of 10 NFL players
6 out of 10 NBA players

are in financial stress or bankrupt within 5 years of retirement from professional sports[1]

National Football League

$10 million 4-year contract

- 3.7 million Federal Taxes
- 1.35 million California State Taxes
- $300,000 "Jock Tax"
- $500,000 Business expenses
- $300,000 Agent's fee

=$3,850,000 Net Pay ~40%

For illustrative purposes only. Players must play the full duration of the contract. "Jock Tax" is the income tax players pay to a city or state if they earned money in that jurisdiction.

They only see the contract number

Headlines that tout multi-million dollar deals lead family and friends to believe that stars receive the full ticket price of contracts. This is a far cry from reality. Taxes and expenses eat into more than half of their earnings. An injury or change in the public's fickle tastes can easily derail a career in sports and entertainment. Athletes and entertainers who don't account for these factors find themselves giving away money that they don't actually have.

It's a marathon, not a sprint

Much like running a marathon, managing wealth requires proper pacing. Elite runners don't start a long race by running at full speed; they conserve their energy so they have the stamina to finish. Athletes and entertainers who are financially successful know they need to make their earnings last a lifetime. They focus on financial self-care and share their wealth in an intentional manner that does not hurt their own financial health. This thoughtful approach helps ensure they can always be there for their loved ones, not just during the duration of their short careers.

"When you get your first NFL contract, you're 21 years old. You have no idea what to do with the money. You don't think about investing it."

Robert Bailey
President of Rosenhaus Sports
Former NFL player

"What's my yearly burn? What do I need to be happy? That's the key."

Sage Rosenfels
Former NFL quarterback

Careers are short

Average length of professional sports careers[2]

3.5 years NFL players
5.5 years NHL players
4.8 years NBA players
5.6 years MLB players

Chart-topping artists

More than half of all musicians with a Billboard hit are "one-hit wonders" who never top the charts again

Start by taking care of yourself

With a few notable exceptions, careers in sports and entertainment are fragile and brief. Most stars also want the option to never work again. "I didn't want to be the 35-year-old intern in the workforce. I'd be the rookie at any company," said former NFL quarterback Sage Rosenfels. The average American retires at age 61, after working for four decades. For Sage, the $15 million he earned in the NFL represented the equivalent of 40 years in the workforce. Sage calculated what he needed to maintain his family's lifestyle after his football career was over. He arrived at an overall amount he needed to invest to provide a comfortable retirement for himself and college for his three children. "I let my money work for me."

Knowing his own future is secure, Sage is able to give back to causes close to his heart. He supports a close friend's foundation that provides literacy programs in Haiti and helps his older sister who was disabled in a car accident. Sage wants other players to know that they can do both—provide for their families and help others—but you can only take care of others if you take care of yourself first.

Keeping up with the Joneses

For celebrities in the limelight, there is enormous pressure to keep up with other stars. Teammates with the requisite mansions, fancy cars, jewelry and other trappings of an extravagant lifestyle are hard to ignore, especially in the social media era. For two-time NBA champion Norris Cole, possessions don't define who he is. Helping his parents retire and securing his own future after basketball were far more important than anything he could buy. "My mom and dad don't have to worry about working. They took care of me all these years." Norris does allow himself the occasional indulgence. "I bought a Rolex. I'm not going to say which one I have." He follows Jay-Z's adage when it comes to purchases: "If you can't buy it twice, you can't afford it."

Who are you responsible for?

Stars who are financially successful set clear boundaries on who they are and are not financially responsible for. They start with themselves, their spouse and children, bearing in mind they may never work again after their careers in professional sports and entertainment. Caring for their own parents is also important to many. Once stars have a financial plan in place for their inner circle, they can decide if they want to help other family and friends without jeopardizing their own financial well-being. A best practice is to define parameters for gifting money, including naming specific individuals, situations and dollar amount limits.

Who's in your circle?

Your inner circle of financial responsibility.

Yourself.
Spouse.
Children.
Parents.

Can you take care of everyone if you never work again?

Be an intentional giver

Our conversations with athletes and entertainers show that intentional giving—gifts of money that help the recipients improve their own lives and become financially independent—has the best positive outcomes. Although the legendary singer and songwriter Otis Redding passed away when he was only 26, his family has carried on his legacy of empowering young people through music education. For more than four decades, thousands of children have benefitted from scholarships and music camps sponsored by the Redding family. "We want to do good things in the community to uphold a powerful legacy," said daughter Karla Redding-Andrews.

Protect your assets

All individuals with significant wealth are targets for financial scams, but athletes and entertainers are especially vulnerable because they are well-known personalities. Although family and friends may have the best of intentions, those with little or no professional expertise in business or investing oftentimes involve stars in opportunities that have dire financial consequences. Business ventures may never pan out and investors are liable for debts and expenses incurred. Lending money is another area where few see their money returned. One star noted that only one person has ever repaid him for a loan. He now considers "loans" as outright gifts.

Many athletes and entertainers also set up private foundations headed by family and friends, without fully understanding the financial and reputational implications. Risks can range from misappropriation of funds to tax issues given the complexities of maintaining a foundation's tax-exempt status. Family and friends who have no expertise in running a nonprofit organization can also unknowingly cause irreparable brand damage, especially when the foundation is named after the star. Donating to established charities can often be a simpler way to give back to important causes.

In the US, nearly half of all marriages end in divorce, and athletes and entertainers are no exception. A divorce can reduce a star's net worth by half or more depending upon alimony and child support obligations. A well-known female musician had to go back on tour to pay her former spouse's alimony. One actress described her four-year marriage at age 21 as her "biggest financial mistake" that cost her over $10 million. For these reasons, some athletes and entertainers elect to use prenuptial agreements as an asset protection tool.

Relationships can end

Some family and friends may simply not understand why an athlete or entertainer is unwilling to give them financial support. Stars who have weathered these unfortunate situations share that having solid financial plans in place help them make the right financial decisions. When they say no to family and friends, they know it's in the service of a greater good and their long-term goals, rather than an arbitrary decision.

Beyond their dreams

Successfully managing their wealth has allowed some athletes and entertainers to help more people than they imagined. Because many earn significant amounts of wealth at a young age, they have the benefit of putting their money to work early on. Investments that grew over time allowed them to amass fortunes and give back more to their family, friends and communities.

A plan for all your worth

Wale Ogunleye, Head of Sports and Entertainment at UBS, knows firsthand what it's like to navigate the financial expectations from family and friends. After signing his large NFL contract, with the total value of his deal highlighted in the headlines of the press, Wale knew it would be a matter of time before close family members would expect financial support. Wale had a desire to help them, but realized that "the key is to make sure we take care of ourselves first before becoming responsible for other people. When flying on an airplane, they say that in the case of an emergency, you should put your own oxygen mask on first before helping those around you. It's a similar concept with money management—we have to ensure that we develop a sound financial plan for how we're going to spend and invest our money before we think about sharing it with others."

[1] Leigh Steinberg, "5 Reasons Why 80% Of Retired NFL Players Go Broke," *Fortune,* 2015.

[2] Nick Schwartz, "The average career earnings of athletes across America's major sports will shock you," *USA Today*, 2013.

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