

10 Laws of Success for Professional Athletes: How Not to Go Broke!

By Bernard H. Coleman, Jr., Esq.

The statistics are alarming! 87% of NFL players are bankrupt or in serious financial distress within 5 years after retiring from the League. It is reported that 60% of NBA players meet the same fate. Obviously, too many professional athletes are violating the rules of the game for “not going broke.” So, I decided to document 10 basic laws of success that any professional athlete and their advisors can follow as a game plan for beating the odds of “going broke.”

LAW 1: INCORPORATE! (YOU ARE A BUSINESS)

Conduct your business through an incorporated entity (i.e., a limited liability company) so that you keep more of your money through tax savings and asset protection. Many athletes are paying too much in taxes because they are not properly deducting legitimate business expenses. Incorporate and stop the bleeding.

LAW 2: PROTECT YOUR ASSETS! (REMEMBER...A BULLS-EYE IS ON YOUR BACK)

Protect your money and your assets with asset protection vehicles such as trusts, defined benefit plans, etc.... Without these, you are a “sitting duck” waiting to be hit. It is not a matter of “if” but “when.” Create a shield; protect your ASSETS.

LAW 3: CREATE A CHAMPIONSHIP TEAM (YOUR TEAM WILL MAKE YOU OR BREAK YOU)

In life as in your sport, play to win. When it comes to your team (lawyers, accountants, advisors, etc....), pay for the best. The best players in business have experience and a history of winning. Winning teams don't come cheap, but winning (and not losing your money) is worth the cost. Cheat on picking and paying for the best team, you cheat yourself.

LAW 4: RUN ALL BUSINESS DECISIONS BY YOUR “BOARD” (LISTEN TO THOSE WHO KNOW WHAT YOU DON'T)

Surround yourself with trusted advisors (a good business lawyer, accountant, financial planner and successful business people). This is your Board of Advisors. They should be independent and have no financial interest in your business decisions. Successful businesses have experienced and loyal Boards of Directors/Advisors. To be successful, you should have one too. Remember, YOU are a business. Before you make decisions that affect your money, run it by your Board. If anyone on your Board votes “No”, then don't do it!

LAW 5: BEWARE OF CONFLICTS OF INTEREST (THEY BURN)

Whenever you get a referral from someone, ask the question: What's in it for them? If they are getting anything out of it (a referral fee, a percentage, etc...), watch out. It may be what is best for them, but not what is best for you. Run the referral by your Board. It's always best to get advice from those who have nothing to gain from your decision; they are more likely to have your best interest at heart. Conflicts of interest are messy. Avoid them and avoid getting burned.

LAW 6: ALWAYS GET A PRENUPTIAL AGREEMENT! (DON'T BE A FOOL FOR LOVE)

Marriage is a legal contract creating a partnership. Like any partnership, it is always better to agree upfront how property is to be divided when it ends. And it will end – whether through divorce or death. Don't let the government control your financial future when your marriage ends; take control through a prenuptial agreement. With

divorce rates as high as 90% among professional athletes and death awaiting us all, a prenup just makes sense when one spouse enters the marriage with substantially more property than the other. Love has broken many before you; don't let it leave you broke.

LAW 7: DO PROPER ESTATE PLANNING (CONTROL YOUR MONEY IN DEATH AS IN LIFE)

Without proper estate planning, you lose control and you lose money (large probate costs and estate and inheritance taxes). Don't throw your money away. Make sure your property is divided according to your will, not some stranger's. Plus, avoid costly and embarrassing family fights over your property. We've all seen how ugly these family fights can get. Just look at what happened to the estate of the Godfather of Soul, James Brown. With proper estate planning, you control your money when you die, your way.

LAW 8: DEVELOP YOUR BRAND (BIG BRANDS EQUAL BIG MONEY)

Your brand is how you distinguish yourself from your competitors. Everything you do will either increase the value of your brand or decrease the value of your brand. What is your brand? Michael Jordan, Magic Johnson, Evander Holyfield...these are brands that transcend sports. Make sure that you have a "branding" expert on your team to properly develop your brand. The bigger it becomes, the more money you will make during and after your career.

LAW 9: MONEY IS FREEDOM (DON'T WASTE IT)

Every dollar you earn has gone through the hands of many hard-working people—many people who scrape and sacrifice to buy tickets to see you. Before wasting money on something stupid, remember those hard-working people. Remember their hard work and honor it by spending wisely. Remember, every dollar you waste today is less freedom you have tomorrow.

LAW 10: DON'T SETTLE FOR BEING RICH, BECOME WEALTHY (RICH ATHLETES GO BROKE WHEN THE PAYCHECKS STOP)

Rich is temporary. Wealth is lasting. When you stop living off of your paycheck and start living off of the returns from your investments, you graduate from being just rich to becoming wealthy. Rich people work hard for the money, but the wealthy make their money work hard for them. Become wealthy and invest your paycheck. The paychecks usually stop coming sooner than you expect.



Bernard H. Coleman, Esq. is a Member at Womble Carlyle Sandridge & Rice, PLLC, where he practices in the firm's Corporate and Securities Group. Bernard is leader of the firm's Sports and Entertainment Practice in Atlanta. He can be reached at (404) 962-7576 or BColeman@wcsr.com.



www.wcsr.com

**WOMBLE
CARLYLE** 
INNOVATORS AT LAW®

WOMBLE CARLYLE SANDRIDGE & RICE, PLLC 0610_6005

GA | SC | NC | VA | DC | MD | DE |

©2010