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IN DEPTH: SPORTS BUSINESS

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Contract Talk

Disability insurance the only sure bet for pros, can't-miss prospects

Joseph N. Geier and Brian J. Woods

"Devastating" and "injury" are two disturbing words that would cause anyone to cringe. When you add "career-ending" or "season-ending," it usually pertains to professional athletes. In one harrowing split-second, potentially millions of dollars in future earnings could be lost.

In order to avoid such a scenario, professional athletes -- and nowadays even some prominent pro prospects in high school or college -- must make the insuring of their earnings potential a primary financial planning topic.

Disability is a subject professional athletes do not like to think about as something that might actually happen to them. They may think their chances of becoming disabled are slim, but general population statistics tell a different story. Statistically, people are much more likely to be injured and unable to work than they are to die prematurely.

Professional athletes' high earnings are generated in a short time span: Four years is the average career length for a professional athlete. That makes it more imperative for athletes to protect their most significant asset -- themselves. And it makes it rare that a financial advisor would not advise his or her athlete clients to consider disability insurance as a means to safeguard their future earnings potential.

For example, one of the clients with our firm was projected to be the top high school pitcher selected in the 2004 draft. He was expected to be one of the top 10 picks in the entire draft. Before his senior season in high school, we were able to obtain a disability policy for him. Unfortunately for the athlete, he hurt his pitching arm the last game of the season, and it required "Tommy John" or elbow surgery.

We hope that he will be able to recover from the injury and have a productive career, but if not he is protected by the policy that we were able to obtain for him.

It is no surprise that an athlete's ability to generate income is dependent upon their ability to perform in their sport. If an athlete is unable to participate due to an injury or sickness and their contract is not guaranteed -- which is often the case in the NFL and National Hockey League but not MLB or the National Basketball Association -- their income may halt and they may be less likely to be offered a new contract.

Disability insurance would provide an athlete with the income they would have generated as a professional athlete (including potential marketing revenue) had they not suffered a serious disability.

Additionally, team owners also need to consider disability issues. Dallas Mavericks owner Mark Cuban said he didn't want any of his players to compete in the World Championships and/or 2004 Summer Olympics because of what he believed was an insufficient insurance policy supplied by the NBA. Cuban's players -- notably NBA all-stars Steve Nash, a native of Canada, and Dirk Nowitzki, of Germany -- were conflicted because they wanted to represent their countries, but not at the wrath of their vocal and conspicuous owner.

Elite collegiate athletes who have the potential to enter into professional sports will routinely obtain a disability insurance policy to cover their risk until they sign their first professional contract. This insurance is available from the NCAA Exceptional Student-Athlete Disability Insurance Program.

Just as someone who owns a home -- a significant asset -- may wish to insure against its loss, professional athletes and the elite collegiate athletes should obtain disability insurance to insure the future value of their professional careers.

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