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Pro Athletes Need To Focus On Pay As Much As Play

By Joseph Geier

As a financial advisor to professional athletes for more than 20 years, I have dealt with a myriad of issues and circumstances, from creating investment strategies, budgets, risk protection plans, buying and selling properties and vehicles for them to structuring contracts and deferred compensation plans to analyzing business opportunities and avoiding tax traps.

But a financial advisor must also help pro athletes prepare for the next phase of their lives -- when they will inevitably exit the active playing days of sports and transition into settling down to spend more time with family or begin a second career.

Whether an athlete's playing career is ending as a result of injury or as a natural progression, proper planning for this day should have been a vital component in their minds from the onset. After all, anything can happen "on any given Sunday," or any other day, for that matter.

Athletes are well-positioned for what we like to call their "Next Game." They are surrounded by a walking rolodex of business contacts on a daily basis during their playing career. Building relationships with these contacts early on is smart and vital to their success down the road.

One of our clients at Geier Financial Group, Melvin Mora, has done an excellent job of this by using his reputation built during baseball to solidify and strengthen his business relationships with powerful contacts abroad to help better his homeland of Venezuela. It's important for Mora and all athletes to get involved in the community so they can be viewed as more than just athletes.

Younger players should pay close attention to the resources made available to them, such as the scholarship program often included in their first professional contract. Just because an athlete has the potential to make substantial money doesn't lessen the importance of a college education. Completing their education will obviously help them in the long run.

It is crucial for professional athletes to allocate a large portion of their portfolio to conservative investments for the very reason that their earnings potential could change dramatically in a relatively short period of time.

Even when an athlete retires via normal progression, his lifestyle is almost always scaled down. Some guys have to make tough decisions regarding lifestyle, such as selling their primary residences to downsize, cutting their spending in half and selling a few of the cars they collected during their playing days.

This kind of shift in mentality is tough for anyone regardless of the bankroll. Not succumbing to the "keeping up with the Joneses" mentality is key. In a world where flashy clothes, cars and houses have become the norm, it can be difficult, especially for younger athletes, to sift through the superficial exterior to get to the meat of the issue that surrounds them.

Athletes are often pressured by friends or "friends of friends" who are involved with the next greatest investment to come down the pike. They are asked to act almost as the bank to fund these "can't-go-wrong deals." Whether the investment is a nightclub, restaurant or a never-before-seen gadget, athletes are among the first to be approached as the source of capital. We have analyzed a ton of these deals, and 99 percent of the time end up saying a loud no.

If an athlete can structure his contract to incorporate deferred compensation, this can play out to be a huge advantage. If income is deferred, the athlete does not have to pay taxes on it until the cash is received. Down the road, these earnings can be used for investment purposes, which have the potential to generate additional future income or they can be used to fill immediate obligations.

Many of our clients have gone on to become very successful broadcasters, real estate agents, business owners, mortgage lenders, coaches and more. Many of them have sought out and retained the services of a business coach to help guide them through the transition, keep them focused on their defined goals and objectives, and hold them accountable for achieving results.

No matter what road athletes decide to take after active playing days have come to an end, it is fueled by an insatiable desire for competition. Athletes want to satisfy that hunger for achievement that they had while on the field. The climb to get there can be rocky, even for professional athletes, if proper planning isn't done.

Joseph Geier is president and founder of Geier Financial Group.

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