

Business

Guarding athletes' assets

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To the average retiree, \$50,000 a year in investment income when you're 65 years old isn't a bad deal.

But to a 45-year-old former baseball player who was making twice that amount before the recession — and needs his money to last him the rest of his life — it's a big reality check that can be difficult to take.

Last year's stock market plunge, which saw many investment portfolios lose nearly half their value, has caused some retired athletes to make living adjustments and is proving a cautionary tale to those still in the game, advisors to professional and retired athletes say.

Joseph Geier, president of Geier Financial Group in Marriottsville, said the last 12 months have been stressful as head of a company that manages approximately \$150 million in assets for about 70 high-net worth clients and 60 retired and current athletes including Cal Ripken Jr., Mark Teixeira and Melvin Mora.

Geier said his company takes a very conservative management style to investments, and the average portfolio under his purview lost 10 to 20 percent of its value while the market lost 40 percent of its value. But when you're talking about this kind of money, a 20 percent portfolio loss is still in the millions.

Of the athletes, mostly baseball players, he said the retirees are affected most by the downturn.

"They don't have ability to replace that money that was lost as quickly as someone who's still working," Geier said. "A guy loses 10 percent of his portfolio and he's only 45 and he's not working anymore."

Geier also points out there are a few key differences between retired ballplayers and the average 60-year-old approaching retirement. One is that many people can delay their own retirement if they need to. Baseball players often don't have that choice — when no one will sign you, your career is over.

Education is also an issue, he said.

"Most guys are educated, but their job was baseball, it wasn't the business world," Geier said. "A guy who's 40 and retired from baseball, he's like a 22-year-old coming out of college because he doesn't have those job skills."

Reggie Sanders, 41, a member of the 2001 World Series Champion Arizona Diamondbacks, played his last season in 2007 with the Kansas City Royals. The portion of his portfolio he gets his income from was in excess of \$3 million at that point, with Sanders drawing upon about 4 percent for his annual income.

But the plunging stock market last year chopped his portfolio — and his income — by nearly 20 percent and left Sanders, his wife and four daughters between the ages of 5 and 16 about \$96,000 for the year.

Sanders said he and his wife decided it was time for a change. The family made some cutbacks, sold the 8,000-square-foot house in Scottsdale, Ariz., and moved into their 3,400-square-foot condo in Myrtle Beach, S.C.

"We really backed off and we're trying to give our kids a sense of what it is to be at ease with yourself," Sanders said. "It's not having the Gucci purse or the big house because at the end of the day all of that is just stuff."

Advisors especially caution retirees against any major purchase that isn't well thought-out. On more than one occasion in the last year, Geier said he's advised against a luxury car purchase, pointing out the client just can't afford giving up that much of their shrunken income.

Retired players have also spent most of their careers competing off the field with their teammates' luxury toys (homes, cars, boats), and that desire is hard to curb, advisors said. After all, the money players earn during their career — which for many is less than 10 years — needs to last them a lifetime.

Sanders said he feels lucky that he's been advised by Geier since he was a rookie and avoided a path he's seen many of his colleagues take.

"The number of people that don't have money after the game of baseball is probably mind blowing," he said. "What [Joe and I] talk about a lot is how my money now has to last me and my kids and my wife for the rest of my life. I can't do the things I used to do and I have to come to grips with that — I can't go back to work anymore."

Worse than living paycheck to paycheck is seeing athletes digging into their principal on a monthly basis to support their lifestyle even while they're playing, said David Pessin, of the Baltimore law firm Hodes, Pessin & Katz and an advisor to professional athletes in all four major sports leagues.

He noted that those who are still playing have tended not to change their spending habits even with investment losses because they still have an earning potential. But the depleted real estate market has taken a toll on some as most athletes have at least two properties — one in their team's city and one where they live in the off season. Many players also invest in properties for their families, he added.

"A lot of them don't want to see their parents continue in the same poverty they grew up in," Pessin said.



Joseph Geier manages the investments for about 60 retired and current athletes.

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One of Pessin's NBA clients has earned about \$18 million over the last five years, he said. But at last count, his net worth totaled \$2.5 million including real estate. The player, whom Pessin declined to name, is leaning toward giving up his \$80,000 Bentley and putting the proceeds in the bank.

Another client was dead-set on building his "\$7 million dream home" against the advice of his financial team when he had \$10 million in assets, Pessin said. The building costs escalated to \$10 million, then the real estate market tanked. The athlete ended up selling the house at a \$1 million loss.

But for the most part, younger athletes today are more willing to listen to their financial advisors.

"You try to rein them in at the onset," said Pessin. "Most [advising teams] I work with do two sets of projections: One includes the year they'll bust if they continue spending what they are spending, and the other is what they can spend on an asset-based lifestyle."

Geier said the recession has actually made that argument easier. The cutting back in households across the country hasn't been ignored — even among the millionaires.

"Athletes are no different, they do look at that," he said. "It's been a tough year for me in terms of trying to mitigate losses ... but it's also been helpful in terms of teaching them from the standpoint of saying, 'Here's the reality of life, you'd better prepare for it.'"