

# Money Hurdles Esports Athletes Can Avoid



Athletes in general have a history of succumbing to money management hurdles that could have been avoided. This might be hard to believe given their notoriously high salaries but if you look at three of the most widely followed sports in America, the numbers speak for themselves:



**3 out of 5**

NBA players go broke within five years of leaving the league.<sup>[1]</sup>



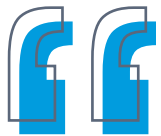
**4 out of 5**

NFL players come under financial distress two years after retirement.<sup>[1]</sup>



**4x More**

MLB players file for bankruptcy more often than the national average.<sup>[2]</sup>



**Early retirement and chronic injury are ongoing challenges in Esports.**

The Esports Observer

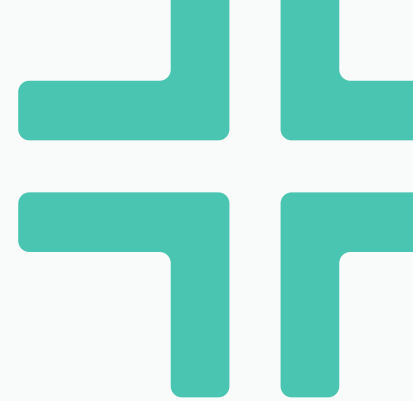


Money management practices among **Esports** athletes has recently taken center stage as prominent players face injury related forced retirements.



# Are You Ready To Take Control Of Your Wealth?

INCLUDED IN THIS GUIDE



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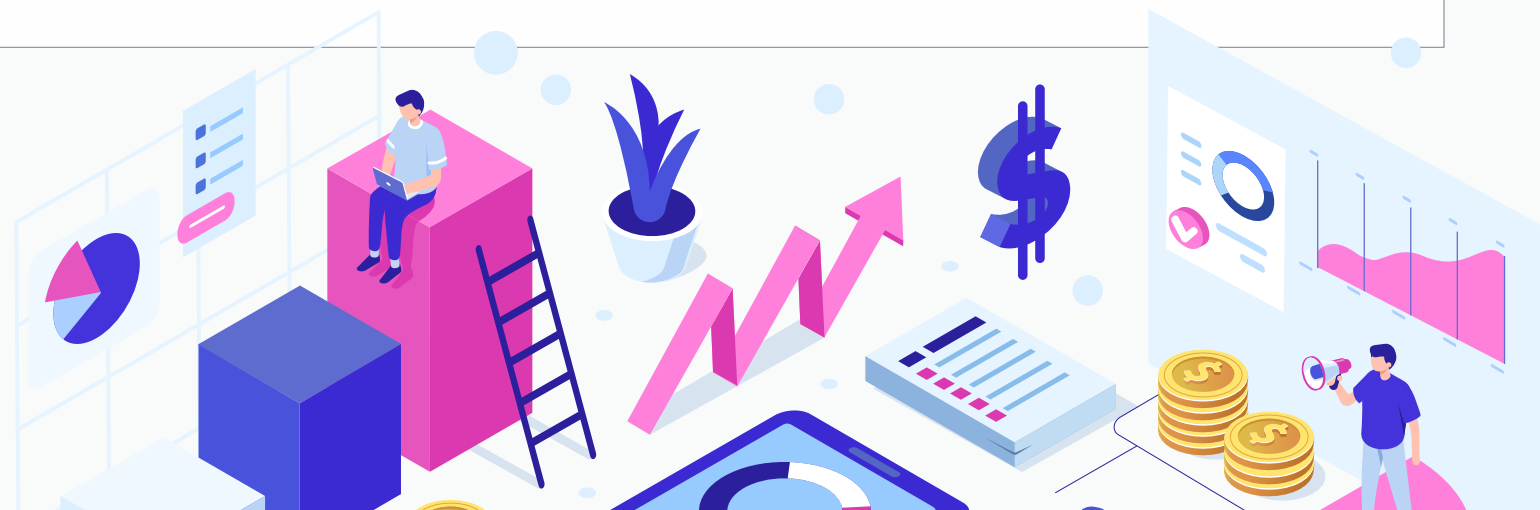
## The Average Investor Mindset

Preventable investment mistakes that can cost you millions. [Page 9]

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Avoiding blind decision making with this change has been shown to increase wealth in the long run. [Page 11]



# What Would It Take To Retire From Sports Today?

## Early Retirement Means **BIG SPENDING**

On a year-to-year basis, it can be hard to notice how **inflation** increases the price of everyday goods and services. When you look at longer stretches of time, however, inflations impact on your annual spending is very apparent.

### Inflation increases the cost of goods and services over time



#### TODAY

If you spend

**\$120,000**

annually on goods and services

Assuming a 2.35% average historical inflation rate



#### IN 20 YEARS

You will need

**\$191,000**

annually to afford the same amount of goods and services due to inflation



#### IN 40 YEARS

You will need

**\$304,000**

annually to afford the same amount of goods and services due to inflation



Said another way, a retired 25-year old looking to spend **\$10,000** a month in today's dollars can expect to spend:







**OVER \$18.5M**

Over the course of retirement

# What Would It Take to Retire from Sports at Age 25?

## Big Spending Call For **BIG SAVINGS**

How much is enough to retire on? There are countless factors that impact how large your retirement nest egg should be. Given the complex and evolving nature of this calculation, we suggest individuals work with an experienced financial professional who has the proper wealth forecasting tools to help them hone in on their unique “number”. The below illustration demonstrates how changing just one input (monthly spending) can drastically effect your target retirement savings amount.

If you plan to spend...		You will need to have...	
	<b>\$5,000</b> per month		<b>\$2.8M</b> in retirement savings
	<b>\$10,000</b> per month		<b>\$6.4M</b> in retirement savings
	<b>\$20,000</b> per month		<b>\$14.1M</b> in retirement savings

The retirement savings calculation is for illustration purposes only. The calculation is based on an oversimplified Wealth Analysis that used 1,000 simulated trials to establish a suggested savings level. The basic assumptions are as follows. End of plan age: 90; Portfolio allocation: 55% global stocks, 10% alternatives, 35% fixed income. All assets are fully invested until the funds are needed to meet expenses. Inflation, tax, and overall investment characteristics: available upon request. Targeted probability of success: 60% or greater.

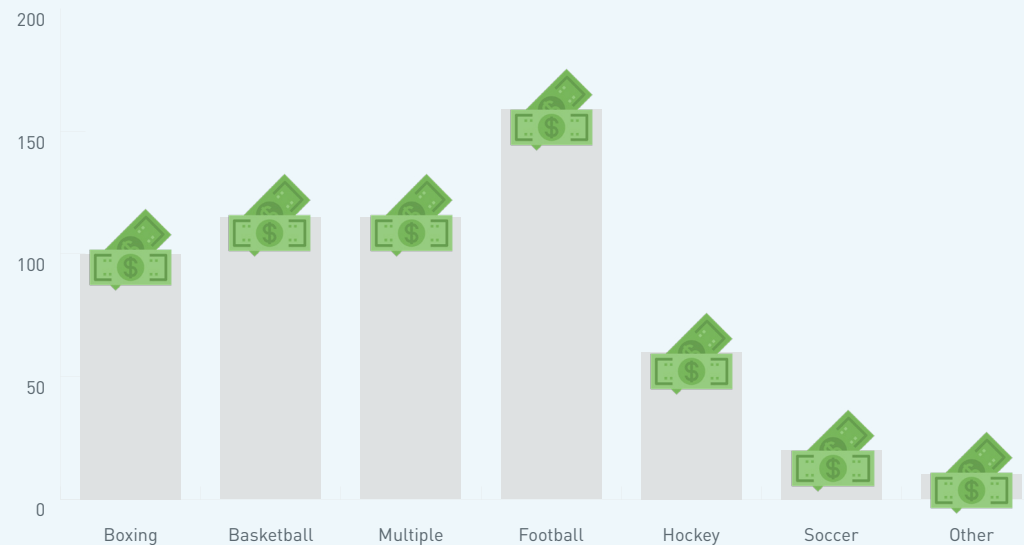
# The Critical Money Hurdles And How to Avoid them

## I | Poor Guidance

### The \$600 million problem you need to be aware of.

Pro athletes reported losing almost \$600 million in losses due to fraud.<sup>[3]</sup> Poor guidance from an advisor, relative, or agent is a common theme among these reported cases. Too often, we find that athletes do not pay enough attention to who they turn to for financial advice.

Alleged Fraud Losses By Sport<sup>[3]</sup> (US \$ Millions)



## Did You Know?

Only 12% of Advisors are legally required to always provide fiduciary advice that is in your best interest. The other 88% do not.

When it comes to trusted advice, learning how to spot the 12% can be key.

## Where Advisors Are Registered By Firm Type



## Why Should I Care About This?

TO UNDERSTAND WHY THIS IS IMPORTANT, ASK YOURSELF THESE TWO QUESTIONS:

### TRUE FIDUCIARY

Would you rather take advice from..

(A) A sales representative who can make recommendations that are not in your best interest under the fiduciary standard?

OR

(B) A true fiduciary who is legally obligated to always make recommendations in your best interest under the strictest standard of care?

If you are like us, you would prefer (B) the true fiduciary advisor.

### WHAT TO LOOK FOR:

Most advisors are NOT held to the fiduciary standard all of the time. To ensure the advisor is a **true** fiduciary, they should operate solely as an independent registered investment advisor (RIA). They should NOT have a dual registration that allows them to operate as both your advisor and a broker (more on this on the next page).

### TRUE INDEPENDENCE

Would you rather take advice from..

(A) A sales representative whose recommendation can be skewed by commissions and hidden fees associated with internal products or transactions?

OR

(B) An independent advisor who is paid the same amount regardless of what they recommend?

If you are like us, you would prefer (B) the independent advisor.

### WHAT TO LOOK FOR:

Make sure the advisor's compensation is based only on the assets they manage for you (i.e. on a fee-only basis). If the advisor or the firm earn additional revenue from custodial functions, product sales (insurance, annuities, etc.), or embedded fund fees, they are not independent.

# Beware:

## Dual Registered Advisors May Appear Similar to Registered Investment Advisors on the Surface but Conflicts of Interest Exist.

Some advisors hold a dual registration allowing them to operate both as a fiduciary advisor and as a sales representative not bound by the fiduciary standard. While this type of advisor can advertise the fiduciary standard, you should understand that the advisor does not have to act in your best interest when operating under their sales representative title. This is a blurry line that can make it extremely hard to tell if the advisor is truly giving advice in your best interest or simply using sales tactics to generate additional fees for their company. This is why we believe working with an advisor that can **ONLY** operate as a fiduciary is the best way to ensure you are receiving fiduciary advice.



### Bank / Brokerage Firm Advisors:

If your investment account is held at the same financial institution that the advisor belongs to, if they offer in-house banking/investment products, or if they trade bonds out of their own inventory, **caution is warranted**.



### Advisors Linked to Product Companies:

If the advisor recommends investments sold by his/her company or if they sell annuities and life Insurance products, **caution is warranted**.



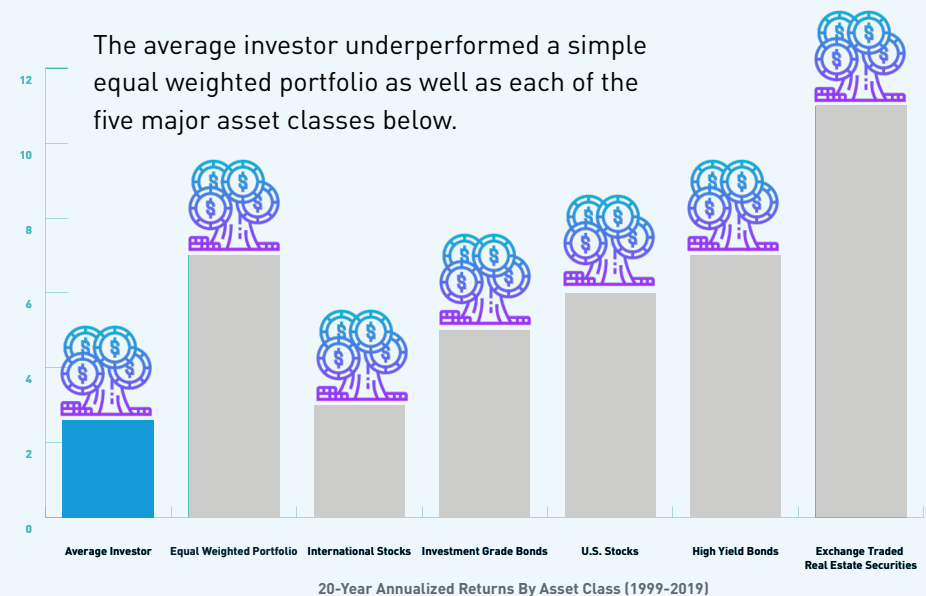


# The Critical Money Hurdles And How to Avoid them

## II | The Average Investor Mindset

### The average investor tends to perform quite poorly due to avoidable mistakes.

Over the two-decade period ending in 2019, the average investor only earned an annualized return of 2.5% while an equal weighted portfolio consisting of five major investment types earned 7.1%. Assuming a \$1 million original investment, this means the average investor underperformed by more than \$2 million over the time frame -- that is a lot of money to lose out on! Why did the average investor perform so poorly? The blame tends to fall on ill-informed investments and the predisposition to trade on emotion instead of staying disciplined to a well thought out strategy.



Past performance is not indicative of future results. International stocks represented by MSCI World ex USA Index; Investment grade bonds represented by Bloomberg U.S. Aggregate Bond Index; US Stocks represented by Russell 3000 Index; High-yield Bonds represented by Bloomberg Barclays U.S. High Yield Corporate Bond Index; Exchange Traded Real Estate represented by Dow Jones U.S. Select Real Estate Securities Index; Equal weighted portfolio combines all the above asset classes into one equally weighted portfolio that is rebalanced annually; Average Investor is represented is based on an analysis by Dalbar Inc. which utilizes the net of aggregate mutual fund sales, redemptions, and exchanges each month as a measure of investor behavior.

# Overcoming the Average Investor Mindset



## Let the Markets Work for you, Not Against You.

When using a methodical research-based approach to investing, you stand to take advantage of what the markets have to offer. However, many investors allow gambling tendencies to creep into their investment decisions without knowing it. You should look to avoid trades rooted in fear, greed, or a “must-win” attitude. The gambler’s mentality can quickly turn the odds against you making it very hard to succeed in the long run.



## Stay Focused. It's Easy to Get Distracted.

It may be tempting to make an investment decision based on something you heard on TV but before you do, you should familiarize yourself with the study that tracked the accuracy of investment calls made by market pundits in the media. The study found that, on average, the media’s so called “experts” were correct less than 50% of the time.<sup>[4]</sup> With those odds, you might as well flip a coin!



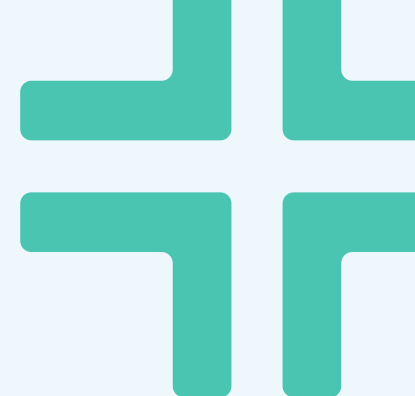
## Private Investments Aren't Always as Good as they Appear.

Private investments such as real estate, a friend’s new business venture, or other non-traditional assets, can sound like a “sure win” at first but caution is warranted. Roughly 75% of venture-backed firms do not return investors’ capital and 95% of start-up companies fail to meet their advertised return objectives.<sup>[5]</sup> When evaluating private investments, you should carefully assess how it fits into your overall investment portfolio and perform extensive due diligence on each holding.



## Proper Guidance Can Be Crucial.

Enlisting the experience of an independent registered investment advisor to help oversee your wealth can be crucial. According to research on investor behavior, investors who worked with an experienced advisor from an early age were 89% more likely to retire with more money.<sup>[6]</sup>



# The Critical Money Hurdles And How to Avoid them

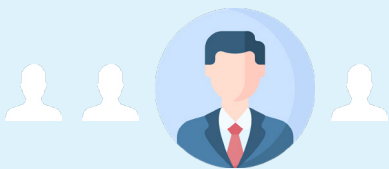


## III | Blind Decision Making

**A proper plan can increase your wealth by more than 15% over time according to a study but most individuals fail to do it.<sup>[7]</sup>**

Managing personal wealth is hard for the average individual. It can be even harder for professional athletes, like yourself, given the increased level of wealth and complexities.

**POOR PLANNING equals POOR RESULTS**



**Only 1 out of 4**

Individuals have a written wealth plan according to a recent survey.<sup>[8]</sup>

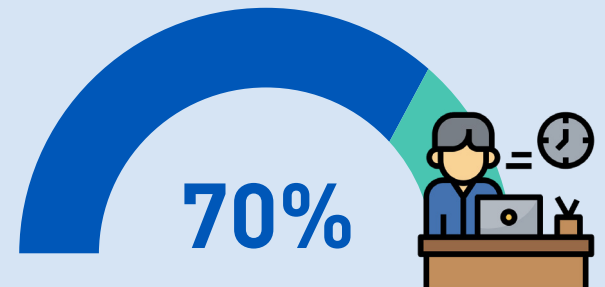
It's No Wonder Why...

**60%**



Of individuals without a plan also reported not feeling financially stable.<sup>[6]</sup>

**70%**



Of individuals without a plan also reported **NOT** feeling very confident about reaching their financial goals.<sup>[8]</sup>

# A Wealth Plan Can Support:

## YOUR PEACE OF MIND

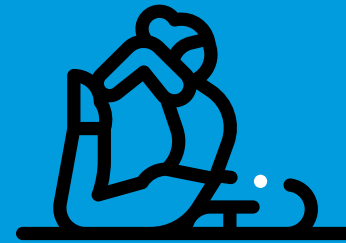


Those who have a proper planning process in place have been found to be...<sup>[8]</sup>

MORE CONFIDENT ABOUT REACHING THEIR  
FINANCIAL GOALS.

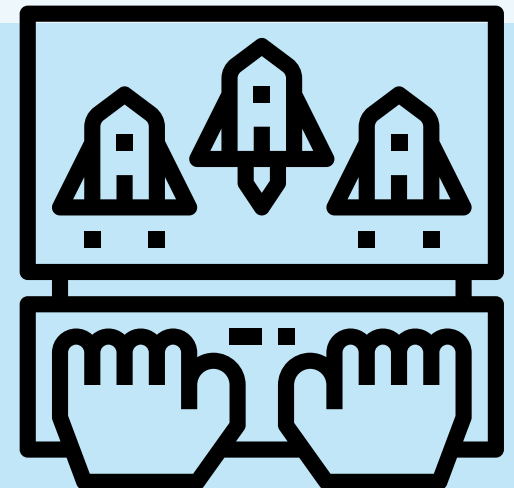
MORE LIKELY TO FEEL FINANCIALLY STABLE

## YOUR BOTTOM LINE



## Technology Can Be A Game Changer

Wouldn't it be nice to understand how the financial decisions made today can impact the probability of meeting your goals in the future? With the proper tools, you can! It is too often that individuals rely simply on rules-of-thumb or gut feelings to make financial decisions. When it comes to your wealth plan, it makes sense to take a more strategic approach. Before implementing your plan, it should be properly stress tested and analyzed using forecasting software.



# Wealth Management Designed For You

You deserve a team of expert Investment, Tax, and Planning professionals working together with one common purpose — You.

Withum Wealth Management brings the resources of a multi-billion-dollar investment advisory firm to Withum's nationally recognized accounting and consulting solutions. We work in conjunction with your outside financial professionals and directly with Withum's other service experts to provide effective strategies through all stages of wealth.

## Client-First Approach

### TRUE FIDUCIARY

As an independent registered investment advisor, we are held to a higher standard of conduct than brokerage firms. We understand that you come first and are always legally obligated to act in your best interest under the fiduciary standard.

### CONFLICT-FREE ADVICE

We are an independent firm. We do not sell products or earn additional revenue from client investments. Removing these potential conflicts of interest allows us to focus on what you truly need.

## Customized Solutions

### WEALTH PLANNING:

Our Wealth Analysis process helps you forecast and evaluate a wide range of key financial decisions. We use capital markets research and statistical modeling to understand how financial decisions today can impact the probability of meeting your goals in the future.

### PERSONALIZED INVESTMENT MANAGEMENT

Our inhouse, multi-strategy approach is rooted in academic theory, market research and logic. We invest in individual stocks, individual bonds, and when applicable, select funds to maintain your personalized portfolio. This allows us to diversify your assets among complimentary strategies while also controlling for costs and taxes.

GETTING STARTED IS EASY. Contact us at (732) 450 0147 or email [infoWWW@withumwealth.com](mailto:infoWWW@withumwealth.com).



**Important Disclosure:** Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance th future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Withum Wealth Management ["WWM"] ), or any non-investment related content, made reference to directly or indirectly in this newsletter will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from WWM. Please remember to contact WWM in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services. WWM is neither a law firm nor a certified public accounting firm and no portion of the newsletter content should be construed as legal or accounting advice. A copy of the Withum Wealth Management current written disclosure statement discussing our advisory services and fees is available for review upon request.