

Estate Planning for Professional Athletes: The Playbook for Success on and off the Field

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Professional athletes are no strangers to the limelight, but beyond the enthusiastic cheers of the fans lies the need for careful planning that extends far beyond their playing days. Estate planning can easily be forgotten amid the hustle and bustle of a rigorous training schedule and a busy sports season. In this article, we will delve into the unique considerations that professional athletes should consider when crafting a comprehensive estate plan.

The Play: Understand the Game of Estate Planning

Estate planning involves more than just the drafting of a Last Will and Testament. A proper estate plan creates an overall strategy to manage the professional athlete's hard-won assets during their lifetime. A well-drafted plan also ensures a smooth transition of assets to the athlete's loved ones in the event of an injury or following one's death.

As a professional athlete, income streams, investments, intellectual property, and property ownership are customarily quite complex. Over the course of one's career, an athlete may move frequently, acquiring assets in different jurisdictions with different laws along the way. They may also experience significant and volatile swings in their financial outlook that necessitate a review of an estate plan more often than most. In addition, due to the dynamic lifestyle of the professional athlete, close relationships may also change rapidly. It is vital that the professional athlete collaborates with tax professionals, financial advisors, and estate planners who have experience in handling the ever-changing and unique planning needs of athletes.

The Starting Lineup: Wills and Trusts

A Last Will and Testament is certainly one of the cornerstones of an estate plan. Most understand that Wills can assist in outlining how assets are distributed upon death. What many do not know is that Wills can also designate guardians for minor children and appoint a trusted advisor as the executor to carry the terms of a Will. Trusts are an even more powerful tool for athletes. Trusts provide much-needed privacy, minimize taxes, and allow for tailored distribution of assets to beneficiaries over time. The benefits of a Trust are often critical for an athlete, particularly if they have young children or heirs who require financial guidance.

The MVPs: Powers of Attorney and Healthcare Directives

One of the most challenging hurdles that athletes must face is injuries. More than any client, creating advanced directives is of the utmost importance for professional athletes who may face injury more regularly than others. Designating an agent under a power of attorney ensures that a trusted person nominated by the professional athlete can manage the likely complicated financial affairs in the event of injury or incapacity. Likewise, healthcare directives outline medical preferences and can empower a chosen individual to make medical decisions on behalf of the injured athlete if they cannot do so

Game Strategy: Tax

The substantial earnings of professional athletes are often subject to high tax rates. Those tax rates vary from state to state and from year to year. Implementing a tax-efficient estate plan can help minimize the tax burden on the professional athlete and their heirs. A properly created estate plan must include strategies like lifetime gifting, charitable giving, and utilizing trusts to preserve a professional athlete's wealth and legacy.

Protecting A Legacy: Intellectual Property Considerations

An athlete's brand, image rights, and related intellectual property assets continue to generate income long after the playing days are over. Including provisions in an athlete's estate plan that address how these assets are managed and protected is essential. Harnessing this intellectual property involves setting up corporate structures to handle licensing and endorsement deals and ensuring a stream of income for the athlete's beneficiaries – all of which must be appropriately allocated in an athlete's estate plan.

Team Collaboration: The Agent, the Manager, The Accountant, and the Lawyer

Just as winning championships requires teamwork, a successful estate plan relies on effective and regular communication and collaboration between various trusted professionals. A professional athlete's manager, agent, financial advisor, accountant, and estate planning attorney should work in tandem to ensure that all aspects of a professional athlete's overall plan align with their goals and protect their interests and their family's interests for years to come.

Revise the Playbook: The Moving Target of an Estate Plan

The life of an athlete is dynamic on nearly every level, and their estate plan is no different. Major life events, such as marriages, divorces, birth of children, disability, or even the death of a loved one, require the professional athlete to constantly assess their estate plan playbook. Changes in an athlete's home state or playing career can immediately impact their financial circumstances, which will accordingly warrant adjustments to their estate plan. Professional athletes must regularly review and update their estate plans to reflect their current situation, location, and aspirations.

Professional athletes spend their careers preparing for the "big game" — an estate plan is no different, but it requires a different kind of strategy. It is not just about preserving wealth, fame, and fortune; it's about securing a legacy, providing for an athlete's loved ones, and ensuring their hard-earned assets are properly managed. By assembling a winning team of experts and crafting a comprehensive estate plan, professional athletes can confidently stride into the future, both on and off the field.

If you are a professional athlete, a loved one, or a sports agent, please contact me so that together, we can ensure that the professional athlete's legacy and loved ones are secure for years to come.