Estate Planning for Young Professional Athletes: A Comprehensive Guide

July 12, 2024
By Candace Dellacona

The Barclay's Center in Brooklyn recently buzzed with the first round of the NBA draft — a gathering of young, exceptionally talented players hoping to be drafted to a professional team, the pinnacle and the reward for years of hard work and dedication. As young athletes, their focus rightly revolves around training, competition, and achieving a peak performance. However, it's also important for them to consider their financial future, particularly given the short average duration of an athletic career —only 3.5 to 5.6 years, according to The Bleacher Report.

As a result, it is imperative that young athletes start off on the right foot immediately to protect their hard-earned assets, their potentially brief career, and their loved ones. While so many assume that the topic of estate planning is for an older demographic, beginning early can provide peace of mind and secure the athlete's hard-earned wealth for the future.

Why Should Young Athletes Consider an Estate Plan?

1. **Financial Security:**
   While athletes can earn significant income early in their careers, the average professional athlete only earns between $362,000 - $680,000 per season, according to the Motley Fool. Proper estate planning is key to ensuring that the young athlete's assets, whether substantial or not, are managed and protected, providing a stable and secure financial future beyond their career.
2. **Uncertainty of Career Length:**
   The length of a professional athlete's career is highly unpredictable. Injuries, even minor ones, can abruptly end a career or lead to being sidelined, benched, traded, or marginalized. Additionally, the physical demands of professional athlete's training schedules and physical demands can diminish athletic abilities over time. An estate plan serves as a safety net in case of unexpected events.
3. **Family Protection:**
   Many athletes come from families that have collectively pooled their resources to provide the support that propelled the young athlete to the professional arena. When athletes succeed, they often want to protect those who have supported them. The athlete is often relied upon to ensure financial security for themselves and their larger family of origin. An estate plan ensures that the athlete and their family are protected, especially if their career ends earlier than expected.

The "Plays" of an Athlete's Estate Plan

1. **Last Will and Testament:**
   A Will is a legal document that outlines how assets will be distributed after death. It names beneficiaries, designates guardians for minor children, and appoints an executor to carry out the athlete's wishes.
2. **Trusts:**

Often referred to as a Will "substitute," Trusts offer more privacy, control, and flexibility over the athlete's asset distribution than a Will. Trusts also help minimize estate taxes, protect assets from creditors and other predatory actors, and provide for loved ones in a structured manner.

3. **Power of Attorney:**
   This document grants the athlete's trusted advisor the authority to make financial decisions on the athlete's behalf, especially during busy times like pre-season training. If the athlete becomes incapacitated, even temporarily, the Power of Attorney allows another trusted person to make financial decisions on their behalf. It's crucial for the athlete to choose someone who understands their unique financial situation and has their best interests at heart.

4. **Healthcare Proxy:**
   Similar to a Power of Attorney, a Healthcare Proxy appoints a person to make medical decisions on behalf of the athlete if the athlete is unable to do so themselves. This ensures that the athlete's healthcare wishes are respected when they are unable to make decisions themselves.

5. **Beneficiary Designations:**
   Often overlooked, beneficiary designations on accounts direct who inherits the asset upon the athlete's death. It is imperative that the athlete review and update beneficiary designations on life insurance policies, retirement accounts from their respective league, and other financial instruments regularly to ensure they align with the athlete's Will, Trust, and overall estate plan.

The Young Athlete's Next Move:

1. **Assess Your Assets:**
   The young athlete should start simple: list all their assets, including property, investments, intellectual property, and personal items.

2. **Set Goals:**
   Determine the goals for the estate plan. What is most important? There is no one right answer: every athlete has different priorities, whether it be financial security for the family, a charitable cause, or minimizing taxes. Regardless of the goal, it can be achieved with the right plan.

3. **Consult Professionals:**
   Avoid cautionary tales of athletes who engaged unqualified "professionals" (here's looking at you, Tim Duncan.) Working with an experienced estate planning attorney, a competent financial advisor, and a skilled accountant will ensure a comprehensive estate plan structured and tailored to the young athlete's needs.

4. **Regular Reviews:**
   The life circumstances of young athletes change frequently. Being traded to a team in a new state with different estate planning rules, experiencing drastic income fluctuations, and evolving interpersonal relationships mean the estate plan must pivot to remain relevant. Regular reviews ensure the plan continues to reflect current circumstances.

Estate planning can seem daunting, especially for young athletes just starting their careers. However, taking the time to plan now can provide significant benefits in the future. By securing their financial future, protecting their assets, and ensuring their loved ones are cared for, young athletes can focus on what they do best on the field, the court, or the ice.