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# What Pro Athletes Can Teach Us About Retirement Planning

These strategies will help you avoid common financial planning pitfalls and build wealth over time.



NBA stars may have a much higher salary than the average worker, but they face very similar money challenges when transitioning to retirement.

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Financially savvy athletes know how to live below their means and invest in their [personal brand](#). The same goes for average Americans, too.

Professional athletes earn huge sums of money at a young age, but their sports careers are often short-lived due to injuries, underperformance or other factors. Many wind up destitute later in life, not unlike lottery winners with a sudden influx of cash and little experience [managing money](#). An infamous 2009 Sports Illustrated story reported that more than three-quarters of former NFL players were bankrupt or financially strapped within two years of retirement and 60 percent of former NBA players went broke within five years of retirement.

**[See: [10 Painless Ways to Save More for Retirement.](#)]**

But not all pro athletes fall prey to unscrupulous managers, greedy friends, flashy cars or other pitfalls. Evan Waxman, a director in accounting firm EisnerAmper's Athletes and Entertainment Group, sees some of his clients now bucking the stereotype of the high-rolling, big-spending professional athlete. "These guys are not spending money frivolously," he says. "They'll say, 'Should I maybe not get two cars?' They're not spending the money in a haphazard manner that you would expect them to," he adds.

Alan Spector, a retirement planning consultant and co-author of "Your Retirement Quest," is working on a book about how elite athletes can navigate the emotional side of retirement. He says smart athletes use strategies they've learned on the field to transition into a new life stage. "Elite athletes have developed skills and experience that have made them successful in their profession, and they're the exact same skills that you need to be successful in retirement," he says. "Understanding the game you're gonna be playing, assessing strengths and weaknesses, recognizing circumstances as they change and adjusting your game plan ... that's the same thing an athlete does at a game."

In fact, while many pro athletes get paid larger amounts of money earlier in life than the average American (and they may retire from the field by age 30), the big-picture strategies needed to successfully plan for and transition into retirement apply to all workers. Here's a look at those smart retirement moves.

**Live below your means.** Regardless of your annual income, spending more than you make is bound to get you into [financial trouble](#). Even with a huge signing bonus and a cushy salary, a player's circumstances can change quickly. "With new player contracts, some of the money is not guaranteed," Waxman says. "They can go from someone being under contract to being dropped because of an off-field situation," he adds. Anyone who has been fired or laid off unexpectedly understands this predicament. As Spector points out, "financial security is not about the size of the nest egg, it's about managing within your means. That's true for the elite athlete as well as everybody else," he says.

[See: [10 Ways to Repair Your Retirement Finances.](#)]

**Know what you're spending.** In addition to staying below your means, you need to have a budget and know where your money is going. Some athletes like to help out family members, and Jeff Dunn, executive vice president and head of the Sports and Entertainment Group at SunTrust Bank, says that's fine as long as the athlete builds that into his or her budget. "They need a true budget so they understand on a monthly basis where they're spending their money and how they're spending their money," he says. Some savvy athletes manage their money by living off of endorsement deals and saving their salaries. "Unfortunately, those tend to be the exceptions rather than a rule," Dunn says.

**Build your personal brand.** Big-name athletes can leverage their fame to secure endorsement deals or transition into motivational speaking or broadcasting once they retire. "Some people are very lucky and have endorsement deals or have careers where they have become household names and can utilize that to keep earning income," says Jonathan Miller, president and co-founder of the Sports Financial Advisors Association. However, legal troubles or public missteps can damage an athlete's personal brand (similar to how posting inappropriate photos on social media could jeopardize the average person's career), so staying clear of controversy can help, but it may not guarantee continued earning power.

Athletes who are lower profile or who want a less public retirement can look at other options for a [second career](#). "We have some athletes that are interested in our business on the financial side," Dunn says. "We try to help them understand what we do and how it impacts people's lives." In most cases, that second career will not replace the income pro athletes earned previously, so saving money early on and avoiding [lifestyle inflation](#) can help.

**Prepare emotionally for the transition.** While some Americans retire involuntarily following health problems or a layoff, most people choose when to retire and have time to emotionally prepare over the course of their career. But many pro athletes don't have this luxury because they could be abruptly sidelined by an injury or become a free agent and simply not get picked up for the next season. "The difference with an [elite] athlete is you're 30, and you've got 30 years to figure out," Miller says. For many pro athletes, their professional success is a huge part of their personal identity, so losing that identity and losing touch with teammates who are still playing can be an emotional minefield.

[See: [9 Retirement Planning Deadlines You Shouldn't Overlook.](#)]

Miller says it can take about three years for professional athletes to [transition into their next act](#). "Initially there's a lot of [pondering] 'What do I do?'" Miller says. "They're used to a routine: waking up, going to practice. They might be sitting around the house with nothing to do. A big part of retirement has to do with the psychological." More traditional retirees can also struggle with the loss of their routine and their professional identity, so carefully planning how you'll spend your time and how you'll maintain social contact with others should be part of your retirement plan to ensure a smooth transition.