



Financial Handbook

**Financial Concepts
for
NFL Rookies**

An Introduction to Financial Success for NFL Rookies



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*The quickest way to double your money is
to fold it and put it back in your pocket.*

Will Rogers

Word from the author

I am amazed each time I hear a story about a professional athlete who has financial troubles. I ask myself why do people that make so much money often have so little of it? Many athletes spend years developing their natural athletic skills and are never taught the basic fundamentals of money. Instead of saving for life after football, many players spend everything they make on flashy cars, watches and homes instead of saving for their future. Maybe they think they will be able to play forever...

I wrote this handbook for the athlete who truly wants to turn their new found riches into a wealth that will last a lifetime or more. The contents of this short handbook are intended to help the athlete understand the power of saving money and the impact it can have on your future.

Congratulations!

You have made it to the NFL. Less than 1% of all high school football players have the opportunity to play in the NFL. According to the NFLPA the average NFL career lasts just under four years. Therefore it is very important to understand financial concepts early in your career. It is important for you to understand the advantage you have over the average college graduate.

The median annual income in the United States is about \$26,000 which means that half of the workers in the United States earn more than about \$26,000 per year and the other half earn less than about \$26,000 per year [US Census Bureau]. The average salary for recent college graduates in the 10 highest paid job functions are:

Job Function	Average Salary Offer
Accounting (Private)	\$46,432
Management Trainee (Entry-Level Mgmt.)	\$41,740
Project Engineering	\$56,384
Consulting	\$56,542
Accounting (Public)	\$46,435
Financial/Treasury Analysis	\$51,992
Design/Construction Engineering	\$55,357
Sales	\$40,662
Field Engineering	\$54,702
Software Design & Development	\$62,454

Source: Spring 2008 *Salary Survey*, National Association of Colleges and Employers. All data are for bachelor's degree candidates. Ranking is based on number of offers reported.

Now, look at the minimum salary for NFL players based on credited seasons:

Credited Season	2008 Minimum Salary
0	\$295,000
1	\$370,000
2	\$445,000
3	\$520,000
4-6	\$605,000
7-9	\$730,000
10+	\$830,000

What does all this mean?

The NFL rookie has a big advantage over the average college graduate. In fact it will take 19 years before the recent engineering graduate earns more than an NFL rookie will earn in just four years!

It is very important that you understand how privileged you are to have the opportunity that you have. Unfortunately, most NFL rookies do not take advantage of the opportunity they have. Because the average NFL career is so short, it is critical to understand financial matters from the start.

On the following page, let's look at the average earning potential of a recent college graduate vs. an NFL rookie over a four year period. The table illustrates the tremendous advantage you have to become wealthy.

Year	Average College Graduate (Engineer)*	2008 NFL Rookie (league minimum)
1	\$55,000	\$295,000
2	\$57,750	\$370,000
3	\$60,638	\$445,000
4	\$63,669	\$520,000
Total	\$237,057	\$1,630,000

*Assumes a 5% annual pay raise for a recent engineering graduate.

How can I take advantage of my situation?

You need to have a financial plan. First, you need to understand how much of your salary you actually get to keep. Assume a Rookie signs a deal worth \$1,000,000. He may think he can run out and spend \$1,000,000. Unfortunately, this is not true. Let's look at an example:

How Much Do I Get to keep?	
Salary	\$1,000,000
Agent Fee (3%)	-\$30,000
Federal Income Taxes (35%)	-\$350,000
State Income Tax (6%)	-\$60,000
Total	\$560,000

As you can see, you only get to keep about half of your earnings. This is a very important point to understand, because if you were to go out and spend all \$1,000,000 in year one, you would have actually spent your earnings for your first two years in the league. If you were to have a career ending injury during your rookie year, you would leave

the league with about half a million dollars in debt and no substantial income to repay that debt.

What should I do?

If you want to become wealthy, you need to have a financial plan. However, having a financial plan is not enough - **YOU NEED TO STICK TO THAT PLAN** - At least until you have reached your goal.

How do I become wealthy?

Use the 50/25/25™ Plan. Set up a plan where you do the following:

- Invest 50% of your salary for your future
- Set aside 25% for taxes
- Spend the remaining 25%

Assuming you make \$500,000 in a year, you should:

- Invest \$250,000 for your future
- Set aside \$125,000 for taxes
- Spend the remaining \$125,000

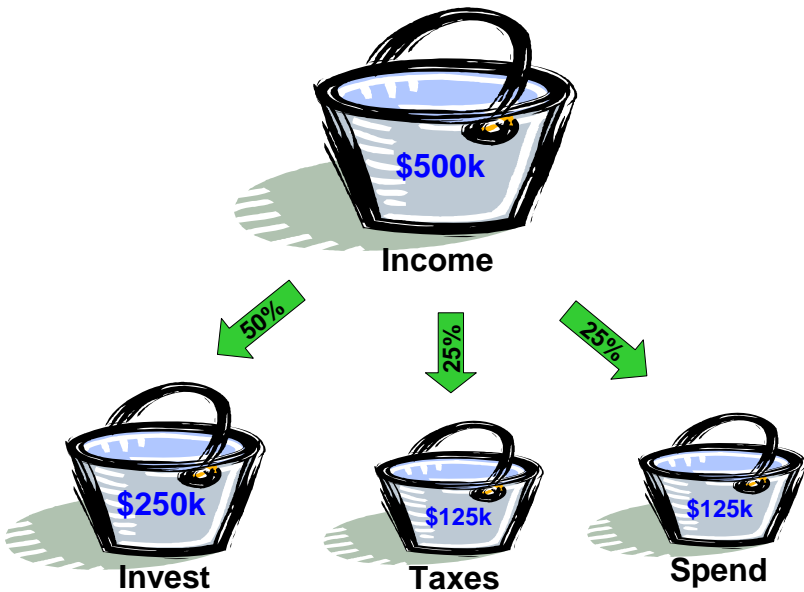
It may seem unfair or difficult to do when everyone else around you is spending everything they make and possibly more. It may seem more unfair or difficult if they make more money than you to begin with.

HOWEVER, YOUR FINANCIAL FUTURE DEPENDS UPON YOUR ABILITY TO EXECUTE YOUR FINANCIAL PLAN.

The 50/25/25 Plan™ Defined

Let's take a look at how the 50/25/25 Plan™ works. First, you would create a receiver account for all of your pay to go into. 50% of all the money deposited into this account would automatically go into an investment account. Another 25% would automatically go into a savings account to pay for taxes. The remaining 25% would go into an account that you could use to pay all of your expenses. Think of these accounts as separate buckets of money which will be used for different purposes. More importantly, you should only spend money from the "Spend" bucket. No exceptions – period.

Buckets of Money



Now that I have my buckets of money, how do I know how much I can spend on what? For example, how much can I afford to spend on a house or car? How much money can I just blow on my friends and family and having fun?

How much can I spend on a home or car?



Expense	% of income	Per Year	Per Month
House	25%	\$31,250	\$2,604
Auto	10%	\$12,500	\$1041
Bills	25%	\$31,250	\$2,604
Spend	40%	\$50,000	\$4,166



House*	\$289,710
Auto**	\$43,472
Bills	\$2,604 per month
Spend	\$4,166 per month

*Based on a 15 yr note at 7%

**Based on a 4 yr note at 7%

The above example shows how much you can afford to spend on a house, car, bills, and everything else while sticking to your financial plan. Assuming you make \$500,000 in year one, you should buy a house that costs no more than \$289,710 and a car that costs no more than \$43,472.

Building wealth takes great discipline and dedication.

If you follow the 50/25/25 Plan™ you will build wealth. It is critical that you spend no more than 25% of your earnings in any given year when playing. If 25% of your earnings is \$125,000 and you want to spend more, then play hard and get noticed. If you want to spend more, then you need to earn more – it is that simple.

An Example:

Now, let's take a look at an example of a Rookie who earns the league minimum and plays for six years and then retires. What kind of retirement can this person expect if they follow a 50/25/25 Plan TM?

Year	Salary	Investment Savings*	Cumulative Investment Savings w/growth**
1	\$295,000	\$147,500	\$159,300
2	\$370,000	\$185,000	\$371,844
3	\$445,000	\$225,500	\$645,132
4	\$520,000	\$260,000	\$977,542
5	\$605,000	\$302,500	\$1,382,445
6	\$605,000	\$302,500	\$1,819,741

*Investment Savings assumed to be 50% of your salary.

**Investments are assumed to return 8% annually.

Savings accumulated from the 50/25/25 Plan TM plus your severance pay will generate a nest egg that you can live off of once you stop playing. You will be entitled to a one time severance pay of \$12,500 per each credited season totaling \$75,000 after 6 years. With your savings plus the severance pay you will have a nest egg of about \$1,900,000.

\$1,819,741 Savings
+ \$75,000 Severance Pay
\$1,894,741 Nest Egg

This amount of money will be able to provide you with an annual income of about \$85,500 per year after you stop playing (assumes 4.5% withdrawal rate from initial balance).

This does not include your NFL Player Second Career Savings Plan, NFL player Annuity Program or your NFL Player retirement Plan. After six credited seasons, these plans would have the following balances:

Plan	Cumulative balance after 6 years	Balance after 19 years (age 45)*
NFL Player Second Career Savings Plan (1)	\$278,000	\$1,199,764
NFL Player Annuity Program (2)	\$146,000	\$630,092
NFL Player retirement Plan (3)	N/A	\$33,840/yr

* Assumes player entered league at age 20 and retired at age 26. Assumes 8% growth rate.

(1) Eligible to receive at age 45 (or age 35 + 5 years out of the league)

(2) Eligible to receive at age 45

(3) Eligible to receive at age 55

What does all this extra stuff mean?

In addition to the \$85,500 income you have created for yourself, the generous benefits offered by the league would add the following amounts of annual income:

Plan	Eligible Age	Eligible Benefit
NFL Player Second Career Savings Plan	45	\$54,000/yr*
NFL Player Annuity Program	45	\$28,300/yr*
NFL Player retirement Plan	55	\$33,840/yr

* Assumes 4.5% withdrawal rate from initial balance.

Now let's look at your total retirement plan at age 55.

Plan	Eligible Benefit
Your Savings from the 50/25/25 Plan TM	\$85,500/yr
NFL Player Second Career Savings Plan	\$54,000/yr
NFL Player Annuity Program	\$28,300/yr
NFL Player Retirement Plan	\$33,840/yr
Total	\$201,640/yr

Basically you will have a retirement income of \$85,500/yr beginning at age 26 from your savings associated with the 50/25/25 Plan TM. Then at age 45, your income will increase to \$167,800/yr. This comes from adding your 50/25/25 Plan TM, your NFL Player Second Career Savings Plan, and your NFL Player Annuity Program together. Then at age 55, your income would rise from \$167,800/yr to \$201,640/yr due to your NFL Player Retirement Plan.

Age	Benefit
Retirement income from age 26 to 44	\$85,500
Retirement income from age 45 to 54	\$167,800
Retirement income from age 55 to death	\$201,640

The average college graduate will not have such an easy road to achieve this level of retirement income. In fact most will not even come close after working 35 years at their job. To think you have the opportunity to accomplish this from playing 6 years in the league at minimum pay is amazing!

The most critical point is that you understand this before your first year in the league. Each year that goes by before you truly understand financial matters, the worse off you will be.

Imagine spending 6 years in the league and not understanding the above information until year 3. It is likely that you will spend your last 3 years digging yourself out of debt. In this scenario, you will have no personal savings and thus the potential for your \$85,500/yr income will be lost. Further, if you did not understand the above information until year 3, it is unlikely that you would have participated in the NFL Player Second Career Savings Plan thus removing another \$54,000/yr income. What this means is the difference between understanding these concepts in your rookie year vs. year 3, is the difference between having a retirement income of \$201,640/yr vs. \$56,340/yr.

Think about it...

If you think you cannot live off of 25% of your salary, I would suggest you ask yourself the following question:

How Much money did I make last year?

If you were playing college football last year, the odds are you made very little if any money at all. 25% of the league minimum is still \$73,750 which is almost 34% more than a recently graduated engineer will make!

Essentials – What must I do?

- 1) Establish a financial roadmap.
 - a. Create a budget
 - b. Create a savings strategy
 - c. **IMPLEMENT** the savings strategy

- 2) Establish key relationships
 - a. Financial Advisor
 - b. Accountant
 - c. Attorney

- 3) Create wills and other legal documents
 - a. Financial Power of Attorney
 - b. Medical Power of Attorney
 - c. Directives to Physicians
 - d. HIPPA Authorization

- 4) Stay Disciplined

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