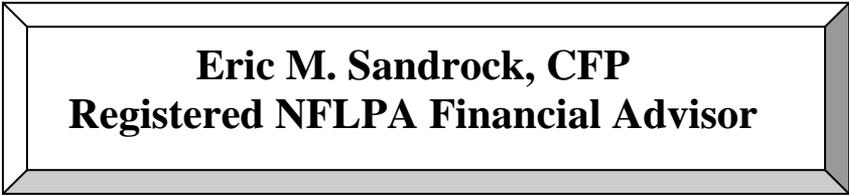


# **Financial Handbook**

**Financial Concepts  
For  
NFL Second Contract Players**



# **Financial Concepts for NFL Second Contract Players**



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*Good judgment comes from experience,  
and a lot of that comes from bad  
judgment.*

*Will Rogers*

# Word from the author

I wrote this handbook to help the players who have survived the NFL long enough to reach their second contract. By now you know the dangers of the job and likely understand just how short your career can be.

According to the NFLPA, the average career in the NFL is just under four years. That is shorter than any other professional sport. Because NFL careers are so short, it is important that players master certain financial concepts early in their career. Unfortunately, most players fail to do so before their career ends and they leave the league with little to show for all the money they have earned.

You are lucky. As a second contract player, you have a second chance to prepare for your life after football. Your first few years have likely taught you a lot about money and how quickly it can be spent. If you are not already set for life, you have another chance to get things right.

Just like in football, the time to prepare is before the game starts. You will never have another chance like now to prepare for the days ahead. Once football is over and the game of life starts, the time to prepare has ended. Now is the time to prepare for your life after football. Now is the time to take action.

# Congratulations!

Not only have you made it to the NFL, you have made it in the NFL. Perhaps you have read my handbook for Rookies or Perhaps not. I wrote this handbook for NFL players who have made it through their first contract and are entering their second and most likely final contract.

If you are already financially set for life after football, then good for you! You may find this handbook helpful, but not essential. However, if you are not already financially set for life after football, then this handbook is essential for you.

Think of this as a second chance to get things right. You have the opportunity to become financially set for life. In fact, I would argue that you have no excuse for not getting it right.

By now you have probably already earned \$5 million (\$10 million plus for first rounders) and may not have much to show for it. As impressive as that kind of income sounds, let's take a closer look at it.

Initial contracts for first round draft picks are usually five or six years in length. Let's look at a simplified example of a first round draft pick who earned \$12 million over five years.

<b>Year</b>	<b>Salary/Bonus</b>	<b>Taxes/Fees*</b>	<b>\$ you get to keep</b>
1	\$3,000,000	\$1,350,000	\$1,650,000
2	\$1,000,000	\$450,000	\$650,000
3	\$2,000,000	\$900,000	\$1,100,000
4	\$3,000,000	\$1,350,000	\$1,650,000
5	\$3,000,000	\$1,350,000	\$1,650,000
<b>Total</b>	<b>\$12 million</b>	<b>\$5.4 million</b>	<b>\$6.6 million</b>

\* Assumes a total reduction of 45% (35% for federal taxes, 7% for state taxes, and 3% for contract fees)

From the table above, you can see that even though you “earned” \$12 million, you never had a chance to “keep” anywhere near that amount of money. For those of you who read my Rookie book, you know that you only get to keep about 50% of what you earn.

Unfortunately, you probably didn’t know that the first few years you were in the league. I remember when I was 20 years old. If I’d have signed a contract for \$5 million, I would not have thought anything about spending \$2 million right away. If I would have done that, I would have spent the majority of my net salary over what was probably the first half of my entire football career!

### **What does all this mean?**

If you are reading this book, then you are likely entering the second phase of your career.

If you have made it this far, then you are both good and lucky. Making it this far means you had both the skill to be successful in the NFL and the luck to stay injury free. It also means that for what ever reason (skill or luck), that you have been able to avoid enough of the pitfalls. This means you have been level headed enough to stay out of much of the types of trouble that plague so many other athletes such as gambling, steroids, immaturity, drugs, guns, gangs, etc...

**AS A SECOND CONTRACT NFL PLAYER, THE TIME TO  
SECURE YOUR FINANCIAL FUTURE IS NOW.**

## 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 <sup>TM</sup>. 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 \$1 million in a year, you should:

- Invest \$500,000 for your future
- Set aside \$250,000 for taxes
- Spend the remaining \$250,000

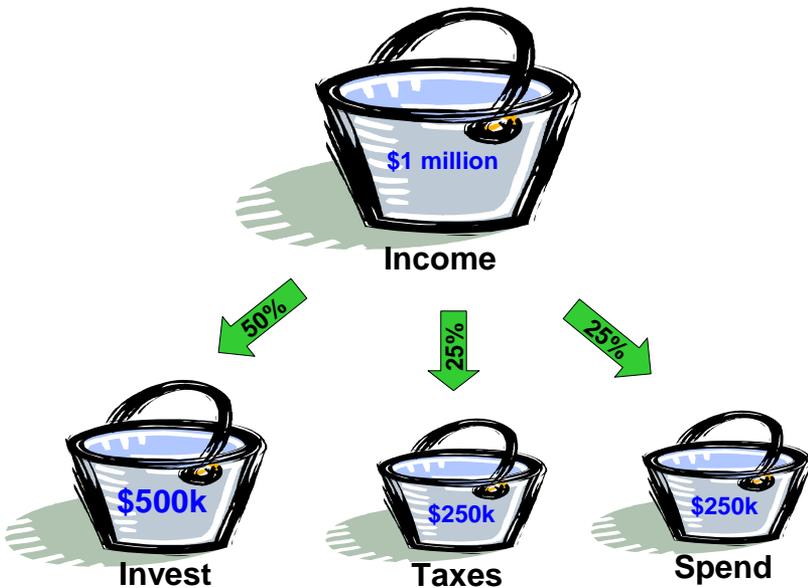
It may seem unfair or difficult to do when everyone else around you is spending everything they make and possibly more. It may seem more unfair or difficult if they make more money than you to begin with.

**YOUR FINANCIAL FUTURE DEPENDS UPON  
YOUR ABILITY TO EXECUTE YOUR FINANCIAL PLAN.**

## The 50/25/25 Plan <sup>TM</sup> Defined

Let's take a look at how the 50/25/25 Plan <sup>TM</sup> 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%	\$62,500	\$5,208
Auto	10%	\$25,000	\$2,083
Bills	25%	\$62,500	\$5,208
Spend	40%	\$100,000	\$8,333



<b>House*</b>	<b>\$579,421</b>
<b>Auto**</b>	<b>\$86,986</b>
Bills	\$5,208 per month
Spend	\$8,333 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 \$1 million per year, you should buy a house that costs no more than \$579,421 and a car that costs no more than \$86,986.

**BUILDING WEALTH TAKES GREAT  
DISCIPLINE AND DEDICATION.**

If you follow the 50/25/25 Plan <sup>TM</sup> 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 \$250,000 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.

The previous section is identical to the advice given in my Rookie book. Perhaps you didn't read that book, or perhaps you did and didn't care. In either case, you have a second chance now to get it right. I like to think that life provides many lessons for us. Some lessons simply cannot be taught, they must be learned. Most of us learn from our mistakes in life. If we take the chance to reflect on our past and how we got to where we are, we can see how many people tried to give us advice and we just simply didn't listen or apply it because we thought we were better than that. ***Remember when your parents used to say "eat your vegetables"?***

As human beings, we age in years and wisdom. When you are younger, you know it all and are invincible. ***Remember when you were a rookie?*** You were filled with confidence and could not imagine far enough into the future when football would no longer be the way you earned a paycheck. Perhaps you are still in that phase. If so, this book will likely not reach you. Hopefully you will make it long enough to read my handbook for NFL veterans (PHASE 3) – I certainly hope so.

But chances are you have had a brush with injury or can feel the pressure of the younger guys on your heels. Miss a step in the NFL and there is a line of young guys ready and eager for the chance to fill your shoes. So you know deep inside that you need to take action. If so, then here is your chance. You have the opportunity to set aside some of your income and get back on track. Ideally you would set aside a good chunk of your signing bonus.

### **How much money do I need?**

How much money you need depends on how much money you want to spend each year once you are done playing. The following table shows the amount of money you need today to last until you are age 85. The table assumes an annual return of 6% (gross) and accounts for 3% annual inflation and 25% annual taxes on earnings.

# Do you know how much money you need?

Amount you want to be able to spend each year	\$ 1,000,000	\$ 41,337,887	\$ 40,957,853	\$ 40,572,221	\$ 40,180,804	\$ 39,783,516	\$ 39,380,269	\$ 38,970,924
	\$ 950,000	\$ 39,270,897	\$ 38,909,960	\$ 38,543,610	\$ 38,171,764	\$ 37,794,340	\$ 37,411,255	\$ 37,022,424
	\$ 900,000	\$ 37,204,008	\$ 36,862,068	\$ 36,514,999	\$ 36,162,724	\$ 35,805,165	\$ 35,442,242	\$ 35,073,876
	\$ 850,000	\$ 35,137,118	\$ 34,814,175	\$ 34,486,388	\$ 34,153,683	\$ 33,815,989	\$ 33,473,229	\$ 33,125,327
	\$ 800,000	\$ 33,070,229	\$ 32,766,282	\$ 32,457,777	\$ 32,144,643	\$ 31,826,813	\$ 31,504,215	\$ 31,176,778
	\$ 750,000	\$ 31,003,340	\$ 30,718,390	\$ 30,429,166	\$ 30,135,603	\$ 29,837,637	\$ 29,535,202	\$ 29,228,230
	\$ 700,000	\$ 28,936,450	\$ 28,670,497	\$ 28,400,555	\$ 28,126,563	\$ 27,848,461	\$ 27,566,188	\$ 27,279,681
	\$ 650,000	\$ 26,869,561	\$ 26,622,604	\$ 26,371,944	\$ 26,117,523	\$ 25,859,285	\$ 25,597,175	\$ 25,331,132
	\$ 600,000	\$ 24,802,672	\$ 24,574,712	\$ 24,343,332	\$ 24,108,482	\$ 23,870,110	\$ 23,628,161	\$ 23,382,584
	\$ 550,000	\$ 22,735,782	\$ 22,526,819	\$ 22,314,721	\$ 22,099,442	\$ 21,880,934	\$ 21,659,148	\$ 21,434,035
	\$ 500,000	\$ 20,668,893	\$ 20,478,926	\$ 20,286,110	\$ 20,090,402	\$ 19,891,758	\$ 19,690,134	\$ 19,485,486
\$ 450,000	\$ 18,602,004	\$ 18,431,034	\$ 18,257,499	\$ 18,081,362	\$ 17,902,582	\$ 17,721,121	\$ 17,536,938	
\$ 400,000	\$ 16,535,114	\$ 16,383,141	\$ 16,228,888	\$ 16,072,322	\$ 15,913,406	\$ 15,752,108	\$ 15,588,389	
\$ 350,000	\$ 16,242,563	\$ 16,136,202	\$ 16,028,245	\$ 15,918,668	\$ 15,807,448	\$ 15,694,560	\$ 15,579,979	
\$ 300,000	\$ 12,401,336	\$ 12,287,356	\$ 12,171,666	\$ 12,054,241	\$ 11,935,055	\$ 11,814,081	\$ 11,691,292	
\$ 250,000	\$ 10,334,447	\$ 10,239,463	\$ 10,143,055	\$ 10,045,201	\$ 9,945,879	\$ 9,845,067	\$ 9,742,743	
\$ 200,000	\$ 8,267,557	\$ 8,191,571	\$ 8,114,444	\$ 8,036,161	\$ 7,956,703	\$ 7,876,054	\$ 7,794,195	
\$ 150,000	\$ 6,200,668	\$ 6,143,678	\$ 6,085,833	\$ 6,027,121	\$ 5,967,527	\$ 5,907,040	\$ 5,845,646	
\$ 100,000	\$ 4,133,778	\$ 4,095,785	\$ 4,057,222	\$ 4,018,080	\$ 3,978,352	\$ 3,938,027	\$ 3,897,907	
\$ 50,000	\$ 2,066,889	\$ 2,047,893	\$ 2,028,611	\$ 2,009,040	\$ 1,989,176	\$ 1,969,013	\$ 1,948,549	
Age	20	21	22	23	24	25	26	

Amount you want to be able to spend each year	\$ 1,000,000	\$ 38,555,538	\$ 38,133,871	\$ 37,705,879	\$ 37,271,467	\$ 36,830,539	\$ 36,382,997	\$ 35,928,742
	\$ 950,000	\$ 36,627,761	\$ 36,227,177	\$ 35,820,585	\$ 35,407,893	\$ 34,989,012	\$ 34,563,847	\$ 34,132,305
	\$ 900,000	\$ 34,699,984	\$ 34,320,484	\$ 33,935,291	\$ 33,544,320	\$ 33,147,485	\$ 32,744,697	\$ 32,335,868
	\$ 850,000	\$ 32,772,207	\$ 32,413,790	\$ 32,049,997	\$ 31,680,747	\$ 31,305,598	\$ 30,925,547	\$ 30,539,431
	\$ 800,000	\$ 30,844,430	\$ 30,507,096	\$ 30,164,703	\$ 29,817,173	\$ 29,464,431	\$ 29,106,398	\$ 28,742,993
	\$ 750,000	\$ 28,916,653	\$ 28,600,403	\$ 28,279,409	\$ 27,953,600	\$ 27,622,904	\$ 27,287,248	\$ 26,946,556
	\$ 700,000	\$ 26,988,876	\$ 26,693,709	\$ 26,394,115	\$ 26,090,027	\$ 25,781,377	\$ 25,468,098	\$ 25,150,119
	\$ 650,000	\$ 25,061,099	\$ 24,787,016	\$ 24,508,821	\$ 24,226,453	\$ 23,939,850	\$ 23,648,948	\$ 23,353,682
	\$ 600,000	\$ 23,133,323	\$ 22,880,322	\$ 22,623,527	\$ 22,362,880	\$ 22,098,323	\$ 21,829,798	\$ 21,557,245
	\$ 550,000	\$ 21,205,546	\$ 20,973,629	\$ 20,738,233	\$ 20,499,307	\$ 20,256,796	\$ 20,010,648	\$ 19,760,808
	\$ 500,000	\$ 19,277,769	\$ 19,066,935	\$ 18,852,939	\$ 18,635,733	\$ 18,415,269	\$ 18,191,498	\$ 17,964,371
\$ 450,000	\$ 17,349,992	\$ 17,160,242	\$ 16,967,645	\$ 16,772,160	\$ 16,573,742	\$ 16,372,349	\$ 16,167,934	
\$ 400,000	\$ 15,422,215	\$ 15,253,548	\$ 15,082,351	\$ 14,908,587	\$ 14,732,216	\$ 14,553,199	\$ 14,371,497	
\$ 350,000	\$ 15,463,678	\$ 15,345,633	\$ 15,225,818	\$ 15,104,205	\$ 14,980,768	\$ 14,855,480	\$ 14,728,312	
\$ 300,000	\$ 11,566,661	\$ 11,440,161	\$ 11,311,764	\$ 11,181,440	\$ 11,049,162	\$ 10,914,899	\$ 10,778,623	
\$ 250,000	\$ 9,638,884	\$ 9,533,468	\$ 9,426,470	\$ 9,317,867	\$ 9,207,635	\$ 9,095,749	\$ 8,982,185	
\$ 200,000	\$ 7,711,108	\$ 7,626,774	\$ 7,541,176	\$ 7,454,293	\$ 7,366,108	\$ 7,276,599	\$ 7,185,748	
\$ 150,000	\$ 5,783,331	\$ 5,720,081	\$ 5,655,882	\$ 5,590,720	\$ 5,524,581	\$ 5,457,450	\$ 5,389,311	
\$ 100,000	\$ 3,855,554	\$ 3,813,387	\$ 3,770,588	\$ 3,727,147	\$ 3,683,054	\$ 3,638,300	\$ 3,592,874	
\$ 50,000	\$ 1,927,777	\$ 1,906,694	\$ 1,885,294	\$ 1,863,573	\$ 1,841,527	\$ 1,819,150	\$ 1,796,437	
Age	27	28	29	30	31	32	33	

Amount you want to be able to spend each year	\$ 1,000,000	\$ 35,467,673	\$ 34,999,688	\$ 34,524,683	\$ 34,042,554	\$ 33,553,192	\$ 33,056,490	\$ 32,552,327
	\$ 950,000	\$ 33,694,289	\$ 33,249,704	\$ 32,798,449	\$ 32,340,426	\$ 31,875,532	\$ 31,403,665	\$ 30,924,720
	\$ 900,000	\$ 31,920,906	\$ 31,499,719	\$ 31,072,215	\$ 30,638,298	\$ 30,197,873	\$ 29,750,841	\$ 29,297,103
	\$ 850,000	\$ 30,147,522	\$ 29,749,735	\$ 29,345,981	\$ 28,936,171	\$ 28,520,213	\$ 28,098,016	\$ 27,669,487
	\$ 800,000	\$ 28,374,138	\$ 27,999,750	\$ 27,619,747	\$ 27,234,043	\$ 26,842,554	\$ 26,445,192	\$ 26,041,870
	\$ 750,000	\$ 26,600,755	\$ 26,249,766	\$ 25,893,513	\$ 25,531,915	\$ 25,164,894	\$ 24,792,367	\$ 24,414,253
	\$ 700,000	\$ 24,827,371	\$ 24,499,782	\$ 24,167,278	\$ 23,829,788	\$ 23,487,234	\$ 23,139,543	\$ 22,786,636
	\$ 650,000	\$ 23,053,987	\$ 22,749,797	\$ 22,441,044	\$ 22,127,660	\$ 21,809,575	\$ 21,486,718	\$ 21,159,019
	\$ 600,000	\$ 21,280,604	\$ 20,999,813	\$ 20,714,810	\$ 20,425,532	\$ 20,131,915	\$ 19,833,894	\$ 19,531,402
	\$ 550,000	\$ 19,507,220	\$ 19,249,828	\$ 18,988,576	\$ 18,723,405	\$ 18,454,256	\$ 18,181,069	\$ 17,903,785
	\$ 500,000	\$ 17,733,836	\$ 17,499,844	\$ 17,262,342	\$ 17,021,277	\$ 16,776,596	\$ 16,528,245	\$ 16,276,169
\$ 450,000	\$ 15,960,453	\$ 15,749,860	\$ 15,536,108	\$ 15,319,149	\$ 15,098,936	\$ 14,875,420	\$ 14,648,552	
\$ 400,000	\$ 14,187,069	\$ 13,999,875	\$ 13,809,873	\$ 13,617,021	\$ 13,421,277	\$ 13,222,596	\$ 13,020,935	
\$ 350,000	\$ 14,599,237	\$ 14,468,225	\$ 14,335,249	\$ 14,200,277	\$ 14,063,281	\$ 13,924,231	\$ 13,783,094	
\$ 300,000	\$ 10,640,302	\$ 10,499,906	\$ 10,357,405	\$ 10,212,766	\$ 10,065,958	\$ 9,916,947	\$ 9,765,701	
\$ 250,000	\$ 8,866,918	\$ 8,749,922	\$ 8,631,171	\$ 8,510,638	\$ 8,388,298	\$ 8,264,122	\$ 8,138,084	
\$ 200,000	\$ 7,093,535	\$ 6,999,938	\$ 6,904,937	\$ 6,808,511	\$ 6,710,638	\$ 6,611,298	\$ 6,510,467	
\$ 150,000	\$ 5,320,151	\$ 5,249,953	\$ 5,178,703	\$ 5,106,383	\$ 5,032,979	\$ 4,958,473	\$ 4,882,851	
\$ 100,000	\$ 3,546,767	\$ 3,499,969	\$ 3,452,468	\$ 3,404,255	\$ 3,355,319	\$ 3,305,649	\$ 3,255,234	
\$ 50,000	\$ 1,773,384	\$ 1,749,984	\$ 1,726,234	\$ 1,702,128	\$ 1,677,660	\$ 1,652,824	\$ 1,627,617	
Age	34	35	36	37	38	39	40	

## **What should I do?**

The first thing you need to do is decide how much money you want to be able to spend each year once you are finished playing. Once you know that number, you can create a savings strategy.

Suppose you are 25 years old and want to be able to spend \$100,000 per year after you are done playing. The table on the previous page shows that a 25 year old needs to have \$3,938,027 to accomplish this goal. You can accomplish this by saving \$4 million all at once or by saving \$1 million per year over the next 4 years. What if you are a 27 year old superstar and want to be able to spend \$700,000 per year after you are done playing? In this case, you will need \$26,988,876 to accomplish your goal.

Remember that the safest way to accomplish your goal is to do so as quickly as possible. Your playing days are finite and you never know if the next play will be your last play. If you have a career ending injury, you will likely never have such an opportunity to become wealthy.

Imagine your team is in the Super Bowl, you have the ball on your own 30 yard line, and that you are down by 6 with 3 minutes left in the game. You know deep down there is plenty of time if you act NOW, but this is likely to be your last shot. You are in your prime right now and whether or not you have done anything to protect your financial future is irrelevant.

You have the power right now to change and to insure you never have to worry about money again. The sooner you get your financial affairs in order, the sooner you can focus on playing ball and maybe have more fun. You will never have to worry about the “what ifs” that come along with playing football. What if... I break my leg? What if... I tear my ACL? What if... anything else happens that can keep me off the field?

The odds are against you playing another 10 years. Now, more than ever is the time to act.

## 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

## Questions to ask yourself

Am I *financially* prepared for life after football?

Am I *emotionally* prepared for life after football?

Did I finish my degree?

What is my plan?

If you aren't happy with the way you answer any of these questions, then you are not prepared for life after football. If you just signed your second contract, I encourage you to ponder these questions and then ACT!

You cannot change the past, but you can learn from it and make a better future with the wisdom you have gained from your mistakes.

Good luck and God bless.

*Eric M. Sandrock*

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