

# Pro Athlete Turns to Armanino for Business Management

CASE STUDY

**armanino** 

## SUMMARY

### Customer Profile:

Professional athlete who relies on Armanino's Business Management team to help them manage their finances, so that they can focus on their career, maintain their lifestyle and be able to support their family through the rest of their career and into retirement. By providing the client with a detailed plan, Armanino has created a pathway for them to be financially solvent going forward.

### Software & Services

- Armanino Business Management services
- Aglink
- QBO
- Bill.com
- Financial Planning Software

### Benefits

- Improved client's financial life sustainability
- Identified options for risk mitigation
- Empowered the client to be in control of financial tradeoffs
- Provided client with improved peace of mind for their financial life post-career

## Challenge

Professional athletes are in a unique situation in that they make a lot of income very quickly but have a small earning window. In this case, a professional athlete came to Armanino as a client with a set of questions regarding a major asset purchase.

The athlete was well into their career and had about four or five years of earning potential from playing left. They had already developed habits and received mixed advice from previous advisors regarding post playing career planning. What the athlete needed was to get an understanding of their assets, income and spending, and how they could manage their current lifestyle in order to live comfortably into retirement.

But, with a client who has already solidified many of their habits, how do you collaborate with them to change the way they think about financial planning, present them with information that will resonate and then put them in a position to maintain the proposed spending budget?

## Solution

The Business Management team decided the best way to do this was to assess the client's balance sheet, all their assets and liabilities and what their future income was projected to be. This meant working with their agent and other advisors in assessing how many years they had left in their playing career, what their retirement benefits would be and what their other potential sources of income were for the rest of their life.

The athlete was still young, so they could start a new career after their current one finished. But their goal was to be able to retire at the end of their playing career.

We started by breaking up their spending into three buckets:

- Their current spending habits
- What their optimized spending should be for the rest of their career
- What they could spend in retirement

When analyzing their current spending, we realized that if they maintained their current spending, they would have a \$33 million shortfall over the rest of their life. Through a priorities-based plan we established their and their family's objectives. Once their priorities were clear, we worked with their investment advisors to coordinate a liability-driven asset allocation plan to protect their assets from risks specific to their objectives. From there, we constructed a plan to help the client see what appropriate risks they could pursue to help support their family's objectives.

We identified areas where they could reduce spending, establish a plan to protect their assets, and maintain their desired lifestyle — or at least have time to adjust their lifestyle — in case of an economic downturn. For

example, establishing proper liquidity reserves, liability, and disability insurance to provide protection in case of a catastrophic injury or event. This plan requires quarterly assessments and updates to adjust their plan as their financial and professional situation evolve.

## Results

After adjustments to their spending, the client's financial outlook now shows a more manageable overall deficiency of \$2 million, which is a significant improvement. They also identified other potential pitfalls in their financial life that could be mitigated by appropriate planning and by reducing their current and post-career spending.

There is now a structured plan in place that can be adjusted on a quarterly basis to give the client an understanding of potential risks, and perspective on any ideas about future investments or purchases and their potential impact on their financial well-being.

By our addressing the client's initial desire to acquire a major asset, they can now see that one decision could breed further financial distress and could create financial issues in the future. However, if they want to bet on themselves and make the asset acquisition, they now understand they would be increasing their resource shortfall, post-career debt and asset carrying costs. However, the player is also aware of options to remedy the situation, such as pursuing a second career or reducing spending in other areas.

## Next Steps

Going forward, the client needs to adhere to four "totems" to improve their financial life and maintain their preferred lifestyle for the remainder of their career and through retirement:

- Managed spending
- Liability-based portfolio allocation
- Insurance protection and risk mitigation
- Quarterly budget review

Despite their projected financial shortfall, and with Armanino's help, they are within a workable range to attain lifelong financial stability, and they now see options to either pursue a second career after athletics or make other adjustments and still be able to retire with a comfortable lifestyle.

Working alongside their advisors, they need to maintain their the agreed upon budget that includes reducing discretionary items to minimize post-career debt. In case of a potential economic downturn, the client needs to maintain a liability-based financial portfolio. To further mitigate risks, proper disability and liability insurance should be considered. Finally, they need to participate and execute decisions made during our quarterly budget reviews, so that they can adjust their financial plan as needed and establish accountability for themselves and their dependents.

## About Armanino

Armanino provides an integrated set of accounting services—business management, audit, tax, consulting and technology solutions—to a wide range of organizations and individuals operating both in the US and globally. You can count on Armanino to think strategically, to provide the sound insights that lead to positive action.

Our Business Management Team has more than 35 years of experience serving as a personal CFO and advisor to athletes, entertainment professionals and other high-net-worth individuals who have a desire to focus on their own profession and insist that their business matters receive the same level of attention and expertise. We work cooperatively with a range of service providers, and we assist our clients with the long-term preservation and growth of their net worth by supervising and managing their day-to-day financial affairs and business concerns. Our clients include:

- Studio Executives
- Writers
- Producers
- Directors
- Actors
- Musicians
- Athletes

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