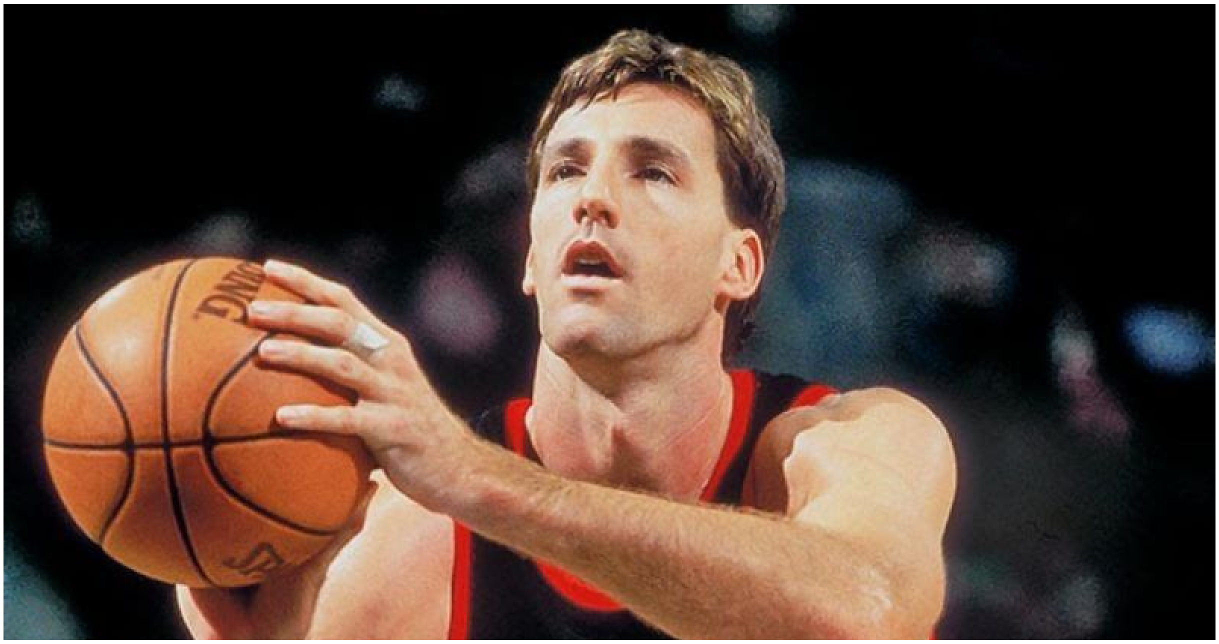

Chris Dudley, playing for New York Nets, 1991

Handout #2: “Money Lessons Learned from Pro Athletes’ Financial Fouls”

By Chris Dudley, wealth advisor and former NBA player

At last look, an estimated 60 percent of former NBA players go broke within five years of departing the league. And by no means are these financial problems confined to the NBA. A reported 78 percent of former NFL players have gone bankrupt or are under financial stress just two years after retirement.

As the salaries of professional athletes across all sports grow larger, so, too, does the number of individuals seeking to prey on their successes and wealth. The reality is, athletes are targets the day they sign those contracts.

It’s your money — own it: Athletes in their prime earning years can develop a detachment from their own money. Since so much is coming in so quickly, suddenly few purchases require more than a moment’s consideration, so money stops being a real concern and becomes just a bunch of numbers on paper — until it’s gone.

It's essential that high-net-worth individuals realize the tenuousness of their situations and just how vulnerable they are, even if they have advisors in place. Taking ownership of their money and keeping constant track of what their advisors are doing with it is the first step toward security.

Preserving capital can be as hard as obtaining it: Though we've become accustomed to the likes of Michael Jordan and Michael Strahan settling into second careers as endorsers, TV personalities and even team owners, most athletes won't be so lucky. The simple truth is they won't have the opportunity to make money like this again. That's difficult for a young person to recognize when in the midst of living a dream. There are so many ways it can disappear: friends, family, lifestyle and constant pitches for can't-miss opportunities.

Risk and return are forever linked: High-profile clients are bombarded by constant pitches for potential business "opportunities" — often by trusted sources (I probably got pitched a "once in a lifetime" opportunity every month). It's important to realize that if a proposal sounds too good to be true, it probably is.

Fees matter: As an individual investor, take the time to speak with your financial advisor to ensure that you are being kept abreast of everything that happens with your money. Small, unnecessary fees can easily be ignored in the moment but can make a big difference over time.

Don't worry about what your teammates are invested in or how they live: I like to call this one "the MTV Cribs rule." Others may prefer "keeping up with the Joneses." We all feel that pressure to keep up with our neighbors. However, for professional athletes it's even more acute. Their salaries are public information, so there's an expectation that they maintain a certain lifestyle. And they're often surrounded by conspicuous spending.

However, clients must understand that they aren't living off one year's salary for just a year, like most people do. That one year of big pay often has to last for 60 years. Establishing sustainable long-term spending practices and settling into a manageable lifestyle is of the utmost importance.

Despite these startling statistics, the hard work doesn't end when the ball stops bouncing. Financially, it's only just begun.

Questions for Students:

1. Former New York Knick team member Chris Dudley describes the frequent financial distress of young NBA players as “Riches to Rags stories.” What original phrase is he playing with, and what is his point?

2. How might Chris Dudley’s advice for the professional athlete apply to anyone managing money, from the middle class parent to the student just starting her first job?

3. Dudley seems to suggest that among professional players there can be dramatic differences in income, even if all appear to make substantial sums. He encourages young players to avoid trying to “keep up with the Joneses.” What does he mean by this?

4. Based on the article, what are some of the concrete measures a rookie player being advised by Dudley might take to secure their finances?