FINANCIAL PLANNING FOR PROFESSIONAL ATHLETES

AND THE TOP MISTAKES TO AVOID

with foreward by

CAROLINE BUCHANAN

8 time Mountain Bike and
BMX UCI World Champion,
Dual-Olympian

WealthAdviser

Contents

Before you get started

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- Wealth Today (AFSL 340289)
- Sentry Advice (AFSL 227748)
- Synchron Advice (AFSL 243313)
- Millennium3 (AFSL 244252)

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Information in this handbook is no substitute for professional financial advice.

We encourage you to seek professional financial advice before making any investment or financial decisions. We would obviously love the opportunity to have that conversation with you, and at the rear of this handbook you will find information about our authorised representative and how to go about booking an appointment.

If ultimately you decide not to meet with us we still encourage you to consult with another suitably licensed and qualified financial adviser.

In any circumstance, before investing in any financial product you should obtain and read a Product Disclosure Statement and consider whether it is appropriate for your objectives, situation and needs.

Foreword by Caroline Buchanan

Dear Reader

As a professional athlete, I have first-hand experience of the financial challenges that many sportspeople encounter. Having access to the sort of information in this book when I was just starting out would have helped me to not only make ends meet but would have given me a better idea of strategies to implement to help secure my financial future.

Luckily, I have long been aware of the need for financial planning and have tried to invest my money wisely. I've taken some solid financial steps and made some smart decisions, but I've also made some mistakes along the way that could have been avoided.

It's never too late to start taking charge of your finances, both for now and the future. If you're a professional athlete, you would no doubt be aware of the importance of "controlling the controllable" to maximise your sporting performance. I've discovered that it's the same with your finances. You can take steps to control your financial situation, and your future, by following some sound principles and seeking professional advice to help you along the way.

Investing in your financial future is like your training as a professional athlete in a lot of ways. Both involve making a commitment and investment now to set yourself up for success later. Throughout this eBook, you will find tips that have worked for me. I encourage you to take an active interest in your financial future and to seek professional advice for your own situation. This eBook will assist.

I wish you all the best as you chase both your sporting and financial goals.

Caroline Buchanan

Dual-Olympian

8 x BMX and Mountain Bike World Champion

About Caroline Buchanan

Caroline Buchanan is an elite athlete, sharp-minded business woman, social media influencer, mentor and a proud advocate for women in sport. Caroline is a eight times BMX and Mountain Bike World Campion, a dual Olympian and has been marked as one of the top female athletes in the world.

In addition to her World titles, Caroline has achieved an incredible 20 Australian National titles over three cycling disciplines. She has a decorated career off the track too; having received the coveted Sir Hubert Opperman Trophy for Australian Cyclist of the Year, and been the recipient of the Australian People's Choice Cyclist of the Year, a seven-time recipient of the Elite Woman's BMX Cyclist of the Year, and four-time recipient of the Elite Woman's Mountain Bike Cyclist of the Year.

Despite this incredible record of success, her down to earth attitude makes her one of the most approachable and good natures professional athletes in the world

Letter from the Wealth Adviser Library

Dear Reader

Welcome to the Wealth Adviser Library

This library was built specifically to facilitate the provision of sound financial information to everyday Australians.

Our mission is to build an accessible, comprehensively supported team of members who share our vision and commitment to providing tailored financial advice and a new foundation of financial understanding and security for everyone.

With a national network of likeminded experts, we have the potential to provide the financial building blocks for future generations.

Knowledge gives you a huge advantage

We believe that knowledge gives you a huge advantage in creating and effectively managing wealth; in planning to reach your goals; and in being prepared for whatever unexpected twists and turns life may present.

That’s why our team of experts has created this series of digital handbooks and manuals that seek to inform you of not only the benefits but also the potential risks and pitfalls of various strategies and investments.

We trust you enjoy this publication and find it informative and professionally presented. Of course, your feedback is always welcome as we strive to continually offer content in a format that is relevant to you.

Take the next step

Wealth Adviser (a division of WT Financial Group Limited) supports more than 400 privately owned and operated advice practices around the country. We invite you to engage with one of our advisers to discuss what it was you were hoping to achieve when you obtained this handbook, and to establish if they can help you achieve your goals and objectives.

At the rear of this handbook you will find details on how to book an appointment.

Wealth Adviser Library

Introduction

As a professional athlete, you have probably long realised that your financial profile and needs differ considerably from those of people doing 'normal' jobs. You might be like many athletes who are struggling to make ends meet as you pursue your sporting dreams. Or you might be in the fortunate position where you are earning a lot of money as an athlete.

Whatever your situation, financial planning is important. The purpose of this eBook is to offer you a resource written specifically with you, the professional athlete, in mind.

Maybe you are a full-time athlete, or maybe you also need to earn some income in the workforce in between your training and competing commitments. Either way, we trust that you will find the information in this eBook beneficial and that it will be a catalyst to help you make the decisions necessary to secure your long-term financial future.

You may be surprised to learn that many of the fundamental principles of sound financial planning are the same as many of the fundamental principles you need to be successful as a professional athlete. Principles like:

- setting goals;
- putting strategies in place to achieve your goals;
- regularly measuring your progress;
- having team-mates and/or a trusted support network around you.

We will begin by discussing some of the typical financial issues faced by athletes. This will be followed by some practical suggestions on how you can make your finances work for you, both now and when your sporting career is over.

Caroline's Tips

All athletes train and prepare differently. which helps set them apart in the sporting arena. However, I've learnt that when it comes to financial planning, there is a clear path to follow. Minimise your risk, place your trust in proven processes, and invest money, time and energy.

Understand "the compound effect". Attention to detail and doing things properly over, and over again, helps you to perform at your best. The compound effect also applies to financial planning concepts like saving and investing.

Financial challenges faced by professional athletes

It is very hard (and somewhat dangerous) to generalise when it comes to personal finances. However, we are quite certain that you will see at least something of your own financial profile in the following descriptions.

Atypical Earning Curves

Most people will work for 35 – 40 years and will reach their peak earning potential 5 years before retirement. As a professional athlete, you will perhaps also be working for 35 – 40 years, but your peak competing career and peak earning potential will almost certainly not last that long!

In fact, if you are like most athletes, your professional career will last 7 -12 years, which means that it is very likely that you will have your peak earning years long before you hit forty! This fact will obviously cause your lifetime earnings curve to be weighted very much to the front end. If you are just starting out as a professional athlete, you will probably need some financial support from friends and family before you (hopefully) reach your peak earning potential. This presents its own financial planning challenges.

If you are one of the few who make it to the top of your sport, you need to consider that elite professional athletes will, on average, earn 70 – 90% of their lifetime earnings before they hit 35. Getting your life-earnings 'up front' in this way can obviously be a very exhilarating experience, but it also brings with it the responsibility to ensure that your money does indeed last a lifetime.

Seasonal Earning Patterns

Many sportspeople are only paid while their season is on, depending on income generated from sponsorships versus prize money. Therefore, you may experience comparatively high levels of income during part of the year and almost no income during the off-season from your sport. Unfortunately, living expenses do not follow the same seasonal patterns!

Therefore, effective budgeting is arguably even more important for you as an athlete than it is for the general population.

'Extreme' Mobility

Many athletes change teams, cities and even countries on a regular basis. This mobility brings with it some unique financial challenges. These include:

- coping with different tax regimes
- the high cost of 'setting up home' in new locations or the temptation to overspend (e.g. by making use of expensive serviced accommodation) since just about every location feels 'temporary'.

Uncertain Earning Potential

An athlete's earning potential is locked up in performing at a professional level for several years. That earning potential can fluctuate depending on your performance and sponsorships, especially if you are competing for prize money.

In addition, as a professional athlete, you face the risk of injury that can prevent you from competing for extended periods of time. This means that a single serious injury can radically reduce your earning potential, both from competing and potentially also from your other activities or employment. Any financial plan for you as a professional athlete should therefore include well-thought-out strategies for dealing with contingencies.

Social Pressure

If you are being financially supported by your family and friends to some extent as you chase your sporting goals, you need to make responsible financial decisions with that support. That can be a challenge.

Or if you achieve the ultimate success as an athlete, you might be in the position where you are earning considerably more than your family and friends. That can place a subtle social pressure on you. For example, you may feel a responsibility to fund their lifestyles. Some family members may even expect you to do this. It may be a cultural expectation. There can also be a temptation to lavish others with expensive gifts or to donate significantly to charities if your earning capacity increases, or you receive a lump sum.

It's important to always keep in mind as a professional athlete that your earning curve is atypical and that you need to take steps to make your earnings last. It's also important that your family and friends understand that as well. If they truly have your best interests at heart, they will want you to have a secure financial future.

It can be advisable to have a trusted financial professional to help you navigate through family or other social financial pressures.

Caroline's Tips

I flew to a foreign country to promote a brand without getting any pre-payment. Only to never get paid at all.

I hired a manager early in my career that wasn't proactive. In one year, they took 20% of all my pre-existing deals that I had already negotiated.

Financial planning fundamentals

All the financial challenges we have outlined for athletes should make it clear that financial planning is important, whether you are just starting out or you are at the peak of your sporting career.

Your finances are likely to be tight early in your career. If you succeed and your earning potential increases significantly, it's important to make the most of your earnings to set yourself up for future years.

The details of how financial advice will be applied to individual circumstances will differ from athlete to athlete, but we are convinced that it should include many of the suggestions that are presented below.

Caroline's Tips

As an individual athlete, I must back myself. But I learned very quickly that it's important to ask for professional financial advice.

Setting Goals

As an athlete, you no doubt set goals for yourself in terms of what you want to achieve in your chosen sport. You probably have both short-term and long-term goals. Setting goals helps you plan how to achieve them in your training and preparation. They also help you to stay focused and motivated.

The same goal-setting principles should apply to your finances. For example, your short-term goal might be to keep financially afloat for the next 12 months. If you are just starting out, it may be a challenge just to meet your living expenses as an athlete, because your earning capacity is low. Your long term-goal might be to ensure that you are financially secure for the rest of your life after you achieve success and retire from professional sport.

You need to put plans in place to achieve both goals. Just like you wouldn't go into a race or a game as a professional athlete without goals and a plan to achieve them, you shouldn't manage your money without goals and a plan.

It may seem like a cliché but it is still very true that 'Failing to plan is planning to fail!'. It is therefore extremely important that you have a strong game plan in place for managing finances.

Cash Flow Management

Cash flow management will be especially important when you are first starting out and are struggling to make ends meet. It is also important at the other end of the spectrum if you enjoy elevated income levels. They won't last forever.

Whatever your situation, you should treat your income as a resource for both the present and the future. One key to doing this is to have a strong cash flow management plan in place. Some suggestions for a cash flow management plan include the following tips.

Keep your savings separate from your everyday account

If you are just starting out and your income level is low, you may only be able to just cover your current expenses. However, if your income level rises, you can turn more of your attention to planning for your future needs.

If your earnings increase, it's important not to spend money that you don't need to. For example, just because you have won some prize money doesn't mean you must spend it. Seeing relatively large numbers in a bank account can have a strange psychological impact on many people (i.e. spend, spend, spend).

One way of avoiding this is to keep 'now' (short-term) and 'later' (long-term) funds separate. Arrange for your earnings to be paid into a high yield savings account and then make a monthly transfer for day- to-day expenses from this account into your everyday living expenses account (see the budgeting section later in this eBook). This is a great way of 'putting the brakes' on your spending habits. You will have a much clearer idea of when you are living beyond your budget (i.e. if your everyday account runs dry before the month is over).

Make wise accommodation decisions

Accommodation can be one of the biggest drains on the finances of professional athletes, as we briefly outlined in our financial challenges section.

A common pitfall is to rent high-end serviced accommodation. This may be very convenient but the convenience rarely matches the associated costs. Our recommendation (especially early in your career) would be to rent a 'regular' house until you are sure where you want to settle down. At that stage, you should get the best possible property and investment advice to find something that will best suit your needs and your budget.

If you achieve success and your earnings increase significantly, be careful of buying very large and expensive properties. This can be a very risky strategy. Maintaining a large property can be very expensive and it could also be very difficult to sell if you need to move quickly.

Be on your guard

Successful professional sportspeople may be the target of investment scammers and sales people.

The reason why successful sportspeople are often targeted is because they have access to relatively high levels of disposable income. Another factor is that many professional athletes are simply too busy to spend a significant amount of time weighing financial and purchasing decisions.

Protect yourself by knowing you will quite likely be targeted by some 'smooth operators' at some stage during your career and resolve not to make rash financial decisions.

Remember: "If something sounds too good to be true, it is almost certainly too good to be true!" It is always important to obtain sound, professional advice before entering any business or investment arrangement.

Budgeting

A personal budget is essential for anyone wanting to secure their financial future. If you aren't earning a lot as an athlete right now, it's obviously important so you can make ends meet in the short-term.

It is even more important if you're an athlete whose current income greatly exceeds your day-to-day needs, because it will serve as a mechanism to keep you from inadvertently spending funds that should last you a lifetime. Below are some basic principles of budgeting.

Set spending targets and stick to them

This may seem like a complete no-brainer, but disregarding this rule sits at the heart of most financial woes. It would perhaps be possible to live beyond your means for a few months or even years, but this kind of lifestyle will exact a nasty toll sooner or later - usually in the form of devastating financial difficulties. Just because you might have money doesn't mean you should spend it! Always remember that you only have a limited time to earn money as an athlete.

The basic function of a budget is to ensure that you do not cross the line into spending money that you do not have. One way of making your spending targets 'concrete' is the tip we provided for managing your cash flow in the previous section (i.e. 'paying yourself' monthly by transferring funds from your savings account into your current account).

Avoid high-interest debt as far as possible

It is totally unrealistic, for most people at least, to go through life without ever taking on any debt. The important thing to remember is that not all debts are created equal. Some kinds of debt (such as a mortgage) can have positive effects on our long-term financial health because it helps us to secure capital assets. There are, however, other kinds of debts (such as high interest unsecured loans, credit card debt and 'high end' vehicle finance) that are almost guaranteed to keep your personal budget from balancing and you from achieving long-term financial stability.

Pay off credit card debt

Credit cards are the most common source of high-interest debt for many people, so it's worth focusing some extra attention on them. There are nearly 17 million credit cards in Australia, and the average card has an interest rate of nearly 19%. That's way above personal loan rates!

Financial institutions are keen to provide credit cards because they make a lot of money in interest from them. Most will happily increase your credit limit any time if you are paying off the minimum balance each month.

But that is a trap to avoid. There are much cheaper ways of financing your purchases than using a credit card. Use one for convenience (especially if you are travelling overseas), but make sure you pay the balance off in full each month to avoid the high interest

You can arrange for automatic transfers from your everyday account to make sure this happens. That will also allow you to monitor if you are staying within your budget (i.e. if you have enough funds in your everyday account to fully pay your credit card balance each month).

Make the most of what you have

One of the most common financial mistakes that people who are not in debt make is to simply assume that a lack of debt will automatically translate into a secure financial future. Do not be fooled by this fallacy. You will still have to take care of your money with long-term investment goals in mind. Not doing so is akin to simply leaving your cash in a box. It won't grow, and it will lose its purchasing power over time with inflation.

Preparing for Emergencies

Even the best laid plans can go awry and there are usually some financial implications when they do. You should do your best to protect yourself against unforeseen circumstances by taking out adequate insurance and a 'rainy day' emergency fund.

None of us like to think about the possibility of difficult circumstances coming our way, but doing so (and doing our best to prepare for them) is an essential part of financial planning. Doing this is especially important for professional athletes whose income greatly depends on being in peak physical shape. A single debilitating injury could wreak havoc on your lifetime earning potential. It is recommended that you take proactive steps against the financial fallout of possible injuries.

Have appropriate insurances in place

Insurance is obviously one of the best ways to protect your future financial well-being in the case of an insurable event occurring. It is highly recommended that you meet with a qualified insurance adviser to discuss your individual needs.

There are a variety of insurances that you should consider as a professional athlete, including:

- health insurance
- life insurance
- total and permanent disablement
- trauma
- income protection
- personal liability
- professional sports accident insurance
- vehicle insurance.

Insurances are discussed in greater detail in the 'Insurance & Risk Management' section.

Establish an emergency fund

Although taking out insurance is very important, it should certainly not be the sum of your 'rainy day preparations'. Having an emergency fund is an absolute must for anyone. For instance, mishaps, unforeseen expenses, repairs and trips are not something that insurance will cover. A smart idea is to automatically transfer 5% to 10% of your earnings to an emergency fund. This amount will build up over time and provide you with an important safety buffer for when unforeseen events occur.

Savings and Investments

It is our opinion that the key investment focus of professional athletes should be wealth preservation. In practice, this would mean following a conservative strategy focused on securing a steady income after your days as a professional athlete are over. Your investment strategy may be able to provide a lump sum to deal with major life events like your kids going to school and university, major relocations and retirement.

Only if you are satisfied that the 'bases are covered', by using a more conservative wealth preservation strategy, should you begin to consider more aggressive speculative investments. Far too many professional athletes have come unstuck at this point, especially since they are often the targets of those promising amazing returns through high-risk investments.

You can avoid becoming unstuck by:

- being highly suspicious of 'get rich quick' schemes. Responsible investment is much more of a 'get rich slowly' affair
- diversifying risk. Putting all your financial eggs in one basket is asking for trouble and should therefore be avoided at all costs
- ensuring you have an emergency reserve, as discussed above.

Always use of the services of a professional financial adviser before making major investment decisions.

Insurance and risk management

As we mentioned earlier, having appropriate insurances in place is one of the fundamentals of financial planning. It is a risk management strategy. If you are an athlete in a professional sporting organisation, they may arrange for suitable coverage for you, or you may be automatically covered under their insurance plan.

If not, you should investigate insurance options that are appropriate for your needs. The cost of your premiums may be tax deductible for some types of insurance.

It's important that you seek professional advice so that the coverage for any of the below policies reflects both your needs and your career earning potential as an athlete.

Caroline's Tips

Investing in myself, my brand and my athletic performance first and foremost, followed by budgeting smaller amounts for future investment assets.

Health insurance

As a professional athlete, your health is obviously paramount. The right policy should cover you for a range of relevant medical treatment to help keep you in top shape (e.g. physiotherapy).

Life insurance

A good life insurance policy will ensure that your loved ones are financially taken care of, even if tragic circumstances mean that you are no longer there to provide for them.

Total and permanent disablement (TPD)

If you are permanently injured or 'disabled' and unable to play your sport for medical reasons, this type of insurance can provide peace of mind. It should be linked to your possible future earnings.

Trauma

Trauma insurance can provide you with a lump sum payment to cover you for unforeseen traumatic events like having a heart attack or being diagnosed with cancer.

Income Protection

This can provide you with an income for a period if you are unable to compete due to illness or injury. Professional athletes generally have a higher risk of injury than the general population. Some sports also have a higher incidence of injuries than others.

Personal liability

This will protect you from the impact of lawsuits or compensation claims based on your actions while competing. It can be an important consideration for contact sports.

Professional sports accident insurance

Some insurers have a category of insurance for sportspeople that covers accidents or sickness that result in death, disablement or loss of income.

Vehicle insurance

It is a well-known fact that successful professional sportspeople often drive more expensive cars. It is also sadly the case that many high-performance vehicles are underinsured.

Coverage considerations

Depending on the type of insurance policy, considerations for the inclusions of your cover as a professional athlete could include:

- the risks associated with your sport
- whether you are covered in the locations your sport takes you to
- injury rehabilitation costs
- accidental dental injuries
- broken bones
- assistance with domestic duties if you are injured/disabled
- coverage for the journey to/from your sport.

Injury prevention

Injury prevention is another financial risk management strategy that is important for you as a professional athlete. Injuries can affect both your short and long-term earning potential.

As the old saying goes, prevention is better than cure. Make sure you obtain and follow the best possible advice from coaching and support staff when it comes to your injury prevention regime.

Sources of income from sports activities

As a professional athlete, you have a limited time to maximise your earning capacity. There are a variety of ways you can potentially earn income. Those opportunities depend on your sport, but can include:

- prize money
- bonuses/incentives for performance
- race appearance fees and match payments
- lump sum sign-on fees
- personal appearance and public speaking fees media commentary
- government grants (e.g. funds provided to Olympic athletes to subsidise their training commitments)
- sponsorship (e.g. a sponsor covering all or part of your expenses, or providing you with clothing, equipment or other assets that you need, such as a car)
- endorsements (e.g. paying you for promoting certain products/services or being a brand ambassador)
- the licensing of your name or image for use on products, if you become very successful.

Caroline's Tips

Unless you're in tennis, football, golf or a male basketballer, your income will probably be split 50/50 between your on and off-field activities as an athlete. Now more than ever, you should focus on building your brand/profile using social media and content creation; and other communication tools such as mailing lists to help you develop additional sources of income.

Tax issues

Part of financial planning includes tax planning. We have outlined some specific tax considerations for you as a professional athlete below. We also recommend you seek professional advice.

Income averaging for athletes

The Australian Taxation Office (ATO) classifies professional athletes as 'Special Professionals'. You are eligible for concessional tax treatment provided you are an Australian resident for anytime during the year.

The ATO recognises that due to the generally short nature of professional athletes' careers and your possibly inconsistent earnings from year to year, that it would be unfair to tax your earnings at the marginal tax rate where they would normally fall.

The Income Tax Assessment Act 1997, Division 405 allows professional athletes to average their professional income relating to their sport over a rolling four-year period to lower the tax rate they pay in any one year.

The averaging provisions apply if your "taxable professional income" for the current or previous financial year exceeds $2,500.

The calculations for incoming averaging for tax purposes for athletes are quite complex and we very highly recommend that you get a professional tax accountant to help you to wade through the many ATO directives and rulings. This will save you a lot of frustration and quite possibly also a lot of money!

Income splitting & personal exertion income

It's important to note that the income you earn as a professional athlete will generally be derived from your personal exertion. It is therefore classed as personal services income for tax purposes. It includes prize money, grants, playing/performance fees and the other potential sources of income that we outlined earlier in this eBook. Such personal exertion income must be received by you as the athlete. It can't be split with a family member or anyone else to reduce your tax obligation.

However, goodwill (in the form of sponsorship and endorsement income) is an exception. Fees received for these arrangements are not classed as personal exertion income and so could be split with a family member or an entity such as a trust or company set up for that purpose. A separate entity also has the advantage of asset protection.

Tax planning

With professional advice, you will be able to fully capitalise on the tax concessions available for athletes like income averaging provisions as well as other tax deductions. This will legally maximise your net financial position.

Tax deductible expenses you may be able to claim include relevant subscriptions, memberships, sporting attire and your business portion of a motor vehicle lease, as per the standard rules of deductibility.

Specific consideration and application of the tax rules may allow deductions on your travel as an athlete if you are required to carry heavy, bulky sporting equipment from home to your place of training or competition. You may also be able to deduct fitness expenses if you have contractual requirements to achieve a specific level of fitness.

Specific rules apply in the case of team sports, which may extend to managerial, accountancy and legal fees in relation to playing.

If you are classed as an employee (more likely under a team sport), your employer would be required to contribute the superannuation guarantee on your behalf. You could undertake salary packaging, whereby you 'sacrifice' a portion of your salary to receive a 'fringe benefit'. This arrangement can have tax benefits.

If you need to purchase equipment for training and competing, these are typically classed as capital items. Depreciation can typically be claimed according to specified rates. Certain legal costs that you may incur as an athlete may also be considered as capital in nature.

Residency versus non-residency

If you compete internationally as an athlete, there may be financial years where you spend less than 183 days (i.e. less than half a year) in Australia. If you remain an Australian resident, you will still need to lodge an Australian tax return.

For tax purposes, your classification as either a resident or non-resident of Australia will be determined by factors such whether you have an intention of returning to Australia to live in the future.

In making their determination of your residency, the ATO will consider whether you have sold, retained or rented out your principal place of residence in Australia.

If you become classified as a non-resident, you may still have to lodge a tax return in Australia, depending on the double taxation treaty arrangements that Australia has in place with your new country of residence. Any tax you pay in an overseas country will usually be allowed to be offset against your Australian tax obligations.

Caroline's Tips

America is my international base for competition. Financially, this has been a smart decision as I can claim the majority of my living expenses as business expenses. I am also removed from distractions allowing me to focus on my athletic performance!

Non-Australian athletes competing in Australia

Money earned by international athletes competing in Australia is also liable to tax in our country. It is the responsibility of the Australian organisation making the payment (e.g. event organisers or sponsors) to deduct an appropriate amount of tax to meet the international athlete's obligation.

Estate planning

Estate planning is an important part of your overall financial plan to protect your family and yourself. This includes ensuring you have considered and implemented the following aspects:

- will
- power of attorney
- medical decisions
- guardianship considerations and children.

The two main aims of estate planning are to ensure that your assets (held both inside and outside superannuation) are distributed appropriately upon your death and that your finances are looked after if you are no longer able to make these decisions.

Preparing a will

A will is a legal document that outlines your wishes for how to distribute your assets after your death.

There are some assets not covered by your will, such as those that are jointly owned, assets owned by a private company or family discretionary trust and superannuation, unless the trustee pays your money to your estate.

If drafted properly, a will can help to avoid family disputes and ensuing legal costs. It is important to have a will even if you think your circumstances are very simple.

If you do not have a will or your will is invalid, the legislation in your State/Territory will determine how your assets are distributed. This may not be consistent with your wishes.

A legal will must be in writing and signed in the presence of two witnesses. They can be kept on file with a relevant professional (e.g. a financial adviser or solicitor). A testamentary trust may be considered which comes into operation upon your death, which offers financial protection to minors and other beneficiaries e.g. spendthrift or disabled.

You should review your will regularly to ensure it continues to reflect your wishes. Make sure you consider any changes in your personal situation, e.g. marriage, birth of a child or the purchase/sale of assets.

Each Australian State and Territory (as well as other countries) have different rules in relation to estates. It's important to seek professional advice when preparing a will. Sometimes it is advantageous to consider having a will in place in each State/Country where you own assets.

Power of attorney

A power of attorney is a legal document that gives another person the right to make financial and/or personal decisions on your behalf.

A general power of attorney may be for a specific action (such as selling an asset while you are overseas) or broad powers (such as dealing with your financial affairs, like operating your bank accounts whilst away competing). An enduring power of attorney is often used to allow a person to act on your behalf when you are no longer able to do so yourself due to diminished mental capacity from injury or illness.

It's crucial that any person you appoint as your power of attorney is someone that you trust implicitly to make decisions in your best interests.

The legislation for powers of attorney varies across Australian States and Territories and across countries. You should seek legal advice if you are considering appointing one.

Medical treatment

An extension of an enduring power of attorney is appointing a medical agent or medical power of attorney to make medical treatment and lifestyle decisions on your behalf. Once again, the title and nature of these documents differ in each jurisdiction. Specialist advice should be sought in relation to these, including determining the appropriateness of having multiple instruments in force if you live and/or compete in multiple jurisdictions.

Guardianship and taking care of the children

Appointing a guardian so there is certainty as to who would take care of the children is important, as is ensuring there is sufficient financial funding as part of your risk management plan. Blended families and step children add extra complexity, and so the importance of seeking appropriate advice cannot be stressed enough.

Your support team

Whether you are an individual athlete or you're involved in a team sport, you'll know that it's important to have a good support team around you. In you sporting career, it could be your coach, team-mates, medical professionals, nutritionists, friends and family.

As we have outlined, in the early part of your career as a professional athlete your family and friends may even provide financial or other support (e.g. accommodation) to help you make ends meet.

Even if they can only provide moral support, this is important. They are likely to understand what you are trying to achieve as an athlete, the effort you are putting in and the sacrifices you are making.

From the information we have provided so far in this eBook, you should also be able to appreciate that it's important to have a good support team to advise you on your financial future. This could include professionals such as the following:

Financial planner

A financial planner is a qualified professional who takes the time to understand your circumstances and then works with you to develop strategies to help you achieve your financial goals.

Accountant/tax adviser

Accountants/tax advisers help you to manage and minimise your tax obligations. It's important to remember that tax minimisation is legal, tax avoidance is not. Minimising your tax is an effective financial planning strategy.

Insurance broker

An insurance broker is an insurance adviser who can represent your interests in finding the best insurance policies to suit your needs as a professional athlete.

Lawyer

A lawyer will give you professional advice on any legal issues you may face. For example, understanding or negotiating the terms and conditions of any contracts you may be offered as a professional athlete and ensuring your estate planning is appropriate to your circumstances.

Agent/manager

Many professional athletes use agents or managers to represent them. They can conduct negotiations, promote you as an athlete and help remove any distractions to allow you to focus on your sport.

All these professionals should give you sound, professional advice that is appropriate for your needs and circumstances. You'll also be able to claim the cost of their services as a tax deduction.

Choose a professional to work with who has a track record of success, ideally with professional athletes and their needs.

Caroline's Tips

I employ a part-time assistant to help me focus on my most important job: being an athlete. They ensure I maintain a great relationship with my sponsors and supporters. This includes assisting me to reply to fan mail, update my calendar, plan my itinerary, keep track of contracts and sponsorship commitments, the list goes on!

Also, I hired a media assistant to help me write press releases for major events, as well as develop and post video/photo content for social and mainstream media.

Check their credentials, ask them to tell you about their experience, the services they can provide for you and the fees they will charge. Make sure you feel comfortable before you commit to working with any professional service provider.

Brand and social media manager/consultant

Many agents and managers now have in-house brand management expertise and in-house social media experts. Alternatively, you should consider finding specialists in the area to ensure you are maximising opportunities both while competing and in your post-competitive career.

Of course, your family and friends will continue to be a vital support network for your non-financial needs.

Transitioning to life after sport

Unless you practice one of a select few sports (e.g. golf and motor racing), your peak playing years will likely be over before you reach forty. This leaves at least another 25 years until you reach the 'official' retirement age.

Working out a career transition plan should be one of your priorities during your playing career. In doing this, it is highly advisable that you consider engaging a professional career counsellor and/or manager to explore the different options open to you.

Some athletes will be able to continue earning through endorsements or media work once their careers are over. For others, an array of opportunities exist, some of which we have summarised below.

Businesses you may work with or invest in while you are a professional athlete.

Depending on your current commitments and financial resources, you may be working already in addition to focusing on your sports career.

You may have gone a step further to invest some of your earnings in a business venture. There may be the opportunity to undertake paid or unpaid work in a business you have invested in. This could be something that interests you, allowing you to learn the ropes and view this work experience or your business investment as a potential long-term career opportunity.

Coaching and mentoring

A career in coaching and mentoring athletes in your chosen sport, or related sports, or with a broader consumer market in general fitness, diet and well-being can be a long-term and financially rewarding option for you to consider.

Sports administration and management

As a professional athlete, you will have gained insights into the management and administration of your chosen sport and the operation and management of teams and/or individuals. These insights can position you well for a career in the field of sports administration and management not only in your competitive sport, but across almost any competitive sporting endeavour.

Media commentator or journalist

Many successful athletes go on to enjoy long-term careers in the media as commentators. The fragmentation of media, and globalisation of sports broadcasts, may have narrowed opportunities in recent times, however, if you broaden your thinking to journalism, and consider gaining formal training while you are still competing, the opportunities still exist.

Public speaking

Public speaking at corporate and social events can provide significant income opportunities, not only while you are competing, but once retired from competition also. Consider formal training to improve your skills to enable you to make your speeches and ad-lib performances, engaging and entertaining.

Brand ambassador and/or social media influencer

Well advised athletes will work hard to develop a strong brand and leverage it for financial gain while competing. A strong personal brand can provide also significant income well into your post-competitive career.

With this in mind, when considering ambassador opportunities during your competitive career, ensure you (and your management team) have an eye out for sponsors that will value your endorsement well past your competitive career ending. A sporting equipment manufacturer may need to be competing to extract (and see) value in your endorsement however an insurance or superannuation company (as example) is likely to value your endorsement for years, even decades past your retirement from competition.

Caroline's Tips

Post my professional competing career, I would love to have an active outdoor job in media, marketing or some other creative area. But my dream job may not even exist yet. I make sure I'm continuously taking the opportunity to learn new things from my sponsors and supporters, like adapting to technology so I remain at the forefront of any developments.

Commercial career in related product space

Opportunities could exist to move into a commercial sales or management role with sporting goods (and related) manufacturers and distributors involved in your sport. Be on the lookout for products and companies you might enjoy working with during your career and always look to build your network.

Commercial career that leverages your network

Many sports attract corporate sponsors (large and small) that get very involved with the sport. Such corporations tend to value and respect athletes for their competitive nature, discipline and hard work.

Try to learn as much as possible about the companies involved in your sport. Meet and talk to their executives and always be on the lookout for opportunities that might interest you once your competitive career is over.

Preparing for your second career

It's never too early to start preparing for life after your career as a professional athlete is over. A serious injury could end your career at any moment. That's why it's important that you consider the worst-case scenario and have a contingency plan in place.

Even if your career as an athlete doesn't end prematurely, when you 'retire' at a relatively young age it's likely that you will want (or need) to start a second career.

Too many athletes don't give it a second thought until it's too late. And with no second-career or contingency plan in place find themselves struggling with their confidence or even slipping into a deep state of depression that can be dilatating and soul destroying.

Whether your competitive career is long and successful or cut short through injury or form, if you have a plan in place you will be well prepared emotionally and financially to deal with the transition in your stride.

Tips for post sporting career

Following are few tips on the positive steps you can take towards preparing for your post-competition career while still competing.

- Education - You might have the time to do some study while you're an athlete. You can do many courses online, wherever and whenever it suits you - from vocational to university qualifications, or short, specialist courses.
- It's important to find a field that at least somewhat interests you and to work towards obtaining any training or qualifications you need to pursue it.
- Whether you're considering commentating or journalism, management, coaching or a corporate career, getting qualifications while you're still competing will certainly put you ahead of the pack when the time

comes to transition to your post-competitive career.

- Build your network of contacts - During your career as an athlete you will probably have greater access to media, corporate executive, sporting body administrators, even celebrities and politicians than most people will experience in a lifetime.
- Don't squander this. Build your network and relationships while the opportunity exists. Not only can you learn from the people you'll meet but some of these people may be able to get you a 'foot in the door' with an organisation for a career that interests you.
- Build and protect your brand - We've dedicated a section of this eBook to the importance of building and protecting your brand.
- This is as important for your post-competitive career as it is while you are competing. A strong brand built during your career will stand you in good stead with sponsors, corporations, sports administration bodies, media outlets, government and consumers (all potential employers or sources of income) in your post-competitive career.

Retirement and superannuation

Most professional athletes are in the position of having to retire twice in their career. In the previous section of this eBook, we talked about the first retirement (i.e. from your career as a professional athlete). This section will focus on your second retirement that occurs for most people at the end of their 'normal' working life when they are aged 55, 60 or more.

Planning for your 'actual' retirement should be one of the cornerstones of personal financial management. You should therefore take the time to do a few projections of the likely state of your finances in retirement. If the results of your projections are less than satisfactory, you should obviously take steps to improve your position as much (and as soon) as possible, before you reach retirement age.

One area that you should pay attention to is the state of your superannuation fund(s), including regularly bolstering your super by making personal contributions. The two distinct benefits of doing so are:

- having more money when you reach retirement age because of the contributions you have made
- compounding returns in a highly 'tax-friendly' way. Superannuation is a very tax-effective environment compared to other investment options.

However, in making additional superannuation contributions, you need to strike a balance between planning for your financial needs when you retire as an athlete versus planning for your longer-term financial needs when retire from your second career.

It's important to remember that you will only be able to access your superannuation funds later in life. Anyone born after 1 July 1964 cannot access their superannuation until they reach 60 years of age. It's important that you don't leave yourself financially struggling in the meantime.

Caroline's Tips

To grow your personal brand, you must grow and leverage your profile. Instead of wasting hours scrolling social media, I spend time adding connections, and interacting with others on social media platforms.

I 'like' every photo from the hashtags of events I compete in to drive people to my social media pages.

I 'like' fan comments on my own social media pages and reply to key supporters.

I also use a digital agency to help me with creative ideas to grow my presence and maximise my marketing potential.

Contribution limits and opportunities

There are two types of superannuation contributions – concessional and non-concessional. Each type of contribution has limits that apply each year and offer the opportunity to make use of unused limits from other years. Further, concessional contributions are tax deductible.

As you count down the years to your second retirement it is very important that you do not 'set and forget' your superannuation. Here are a few suggestions to make sure you don't.

Stay up-to-date

Make sure that you keep all documents relating to superannuation in one place and that you carefully read all correspondence and statements. This will allow you to have a consistently accurate picture of where your fund is heading.

Locate 'lost' super contributions

A surprising number of people have 'lost touch' with super contributions that they have made in the past. You can search for lost super via creating a myGov account (https://my.gov.au/). Alternatively, you can request the Australian Taxation Office to search on your behalf by filling out a form (https://www.ato.gov.au/forms/searching-for-lost-super/). Your financial adviser will also be able to assist with this process.

Keep your details up-to-date

The best way to prevent your super from 'getting lost' is to make sure that your fund has your latest contact details.

Make sure that your super fund has your tax file number (TFN)

You may be paying more tax on your super than you should. Giving your fund access to your TFN will reduce the likelihood of this happening.

Consolidate your funds

If you have worked for multiple employers or more than one team, you may have small amounts of super in several different funds. It is worth investigating whether you will be better off by combining these funds into a single super fund. This will make your funds easier to manage and will often reduce the fees and charges that you are required to pay. The key questions you will need to ask before you consolidate funds are:

- whether you are losing valuable insurance cover by doing so; and
- if the funds that you belong to charge such high 'exit fees' that moving will not be worth your while.

Keep a close eye on your fund

It is very important that you carefully read all correspondence from your fund. This will, among other things, help you to understand the investment approach that governs your fund. You should also benchmark the performance of your fund against that of similar funds. If you are unhappy with either the investment approach or performance (or both) it might be a good idea to move to another provider. However, it is highly recommended that you get professional financial advice before doing so.

Consideration to a self-managed super fund

A Self-Managed Super Fund (SMSF) is a super fund with no more than four members where each member is a trustee (or director, if a corporate trustee).

As the name suggests the members are responsible for operating the fund and hence take on full legal responsibility. This includes fund administration and investment decisions.

SMSFs have a number of advantages:

- pooling assets with family members
- control and flexibility
- complete investment control and extensive choice
- access to highly sophisticated investment strategies
- borrowing to acquire assets
- estate planning flexibility and control
- cost efficiencies depending on balance

- tax control and flexibility
- asset protection from creditors (applies to super generally).

Conversely, SMSFs are not for everyone. Possible downsides include:

- increased time commitment
- cost savings may be dissipated for investors with very minimal funds to invest and those who are not familiar with the costs and investment options involved
- risk of non-compliance
- trustee/ member moves overseas which could result in the fund failing the Australian Superannuation Fund requirement and become non-complying.
- lack of investment knowledge, although professional advisers can assist with every step required
- SMSF members don't have access to the Superannuation Complaints Tribunal
- possible poor and costly outcomes if neglected, misunderstood, or inappropriate decisions.
- unexpected events such as relationship/ marriage breakdown or a member becoming a non-resident
- could have serious repercussions, such as the fund becoming non-complying.

Caroline's Tips

I started Buchanan Next Gen, a scholarship and mentoring program for girls in BMX. This helps them in gaining the international competition experience to take their performances to the next level. I want to lay out a ladder behind me!

I constantly invest my prize money and sponsorship earnings to build my brand. You are your own boss and you need to invest in your brand. You need to spend money to make money!

Don't wait for opportunities, look for opportunities!

Developing your brand

Whether you are an individual athlete or you play a team sport, it's likely that you are keen on developing and growing a public profile. You may also be perceived as a role model for others, especially younger fans.

How to stand out from the crowd

Think of your public profile as your personal brand. Your name and reputation is your brand. Your brand can be positively influenced by:

- the values and behaviours you display (e.g. sportsmanship on the field and courteous, professional conduct away from the sporting arena)
- showing your individualism/personality.
- giving your time and/or profile to worthy community causes, such as charities
- putting time back into the grassroots of your sport (e.g. attending a junior coaching clinic or posing for selfies and signing autographs for fans)
- developing your own website and strong social media presence.

Your personal brand is something that can potentially be monetised, both now and in the future. It's very important to maintain and grow your personal brand, especially if you want to attract sponsorship and endorsement opportunities while competing and in your post-competition career.

Leveraging off social media

Social media is a relatively recent phenomenon. It wasn't available to athletes when they were competing a generation ago. As an athlete now, you have the potential to attract a large following of fans on social media platforms like Facebook, Instagram, YouTube and Twitter.

You can engage with your followers by posting regular updates and comments that you want them to see and interact with. This helps to build your profile. If done positively, it can also enhance your personal brand.

You should also be very proactive in promoting any companies that support you through your own social media channels. These companies will want to see a return on their investment in you.

"Go the extra mile" for them, just like you would for yourself in training. Regularly promoting them via your social media channels will help you to both maintain and grow your sponsorship and endorsement opportunities.

However, while there are many benefits of using social media to build your profile and brand, it can also be a double-edged sword, as we outline in the next section.

Negative influences on your brand

Just as the views and opinions you express can positively influence your brand, the opposite is also true. In the modern technological age, it can be easy for a public relations disaster to occur with your personal brand. For example, inappropriate comments on social media can go viral quickly. Always think of the potential implications before you make any of your thoughts or feelings public.

When you are out in public, you also need to be wary of your brand. For example, these days it's very easy for anyone to take a photo of people in compromising situations with their mobile phone and to easily share this quickly. Media outlets enjoy a scandal like violence or drunken behaviour involving people with a profile. It helps them sell their publications and delivers ratings.

If you do find yourself in a negative social media situation, take steps to redress it immediately. Delete an insensitive post and make a public apology. Do whatever it takes so that your personal brand isn't irrevocably tarnished.

Brand management

Consider finding and appointing specialist brand managers and social media experts to advise on building and protecting your brand.

Caroline's Tips

At the age of 16 I set up my own domain name and accompanying email address (carolinebuchanan.com), along with registering a private company and ABN in my name. It is never too late to get started.

Mistakes to avoid

We realise that this guide may contain a large amount of new information, especially if you are not familiar with the world of financial management and investments. It is for this reason that we decided to include a summary of the most common mistakes that professional athletes could make. These will assist you to make informed decisions and help you to avoid falling into the same traps.

None of the mistakes we've listed below are insurmountable. However, they do underline the importance of getting the best possible financial planning advice.

Mistake 1 – Not having a financial plan

It can be tempting to put off your financial planning to the future and instead to just think and live for now. Don't fall into that trap. Make your finances work for you as soon as possible by having a plan.

Mistake 2 – Not getting professional financial advice

Having a professional support team to help you achieve your financial goals is important. Surround yourself with professionals you trust to ensure your money is working for you, while you focus on what you do best – striving to be the best athlete you can be.

Mistake 3 – Not educating yourself in financial matters

It's worth taking the time to understand the fundamentals of finance. This will help you make savvy financial decisions and allow you to understand the financial strategies your professional advisers recommend. As the old saying goes, "knowledge is power".

Mistake 4 – Not being sceptical of risky investments

Avoid "get rich quick" schemes. Always seek professional advice before committing your money to any investment. If something seems too good to be true, it usually is.

Mistake 5 – Living beyond your means

Spending freely and beyond your means is the quickest route to getting into financial difficulty. This includes your day-to-day living expenses as well as where you choose to live. It's a bad habit to fall into, especially when your income as an athlete may fluctuate or end suddenly.

Mistake 6 – Assuming a lack of debt will translate into a secure financial future

Debt can help secure your financial future. But it's very important to understand that there is good debt and bad debt. Good debt is invested in growth assets that will secure your financial future, while bad debt is invested in depreciating assets.

Mistake 7 – Not having appropriate insurances in place

Having insurance is part of a financial risk management strategy. It gives you peace of mind and aims to protect you if unfortunate events happen.

Mistake 8 – Not implementing key estate planning tools

Estate planning helps you control your finances, even upon your death, taking care of your loved ones.

Mistake 9 – Not paying attention to your image and developing your personal brand

Your name and reputation is your brand. It can significantly affect your earning potential, both during your career as a professional athlete and afterwards.

Mistake 10 – Not paying attention to your superannuation

Superannuation is a tax-effective investment. The more you invest in it, the less tax you'll pay. The earlier you start investing, the longer time you'll allow for compound interest to work its magic in maximising your retirement nest egg.

Take the next step

We trust you enjoyed this publication and found it informative and professionally presented. Of course, your feedback is always welcome as we strive to continually offer content in a format that is relevant to you.

We now invite you to take the next step and meet with an adviser to discuss what it was you were hoping to achieve when you downloaded this handbook and to establish if we can help you achieve your goals and objectives.

Next you will find details on how to book an appointment with one of our experts.

We look forward to meeting you soon.

Appointment booking request form

About the Adviser

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Please complete the Appointment Booking Request below and scan and email to:

____

Appointments are available Monday-to-Friday.

Please nominate your preferred day, date and time to meet with us. One of our client services representatives will call you to confirm your appointment.

Preferred appointment day and time

Day ____

Date ____

Time ______________________ am/pm ______________

If you would like us to contact you via email to confirm your appointment or to answer any questions you have, please provide a valid email address for our records.

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Your Details

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First name ____

Last name ____

Mobile ____

Reader Notes

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