



HOW TO MAKE THE MOST OF YOUR WEALTH: A GUIDE FOR YOUNG ATHLETES

By Chris Hogarth of Cazenove Capital

Sporting success and the associated financial rewards often comes early in life. With the right support, it can last a lifetime.

Many of those who are fast-tracked to success in sports struggle to make their wealth last. In fact, an estimated 40% of professional footballers face bankruptcy shortly after retirement*.

Sporting careers tend to be short. With the average football career lasting eight years, a retired player may have 50 or more years in which to live off their capital, or find other earnings – or both. That is why specialist financial planning is so important.

Wealth planning

A specialist planner can help with income and investment needs, and will ideally work with you well ahead of retirement. They can help meet other objectives too, such as supporting family members and charitable causes, buying property and funding new careers.

Financial security is a crucial foundation, as retirement and associated life changes can bring their own problems. Research suggests a third of footballers divorce within a year of retirement, for example, and 35% of former players face problems with depression and anxiety*.

1 Cashflow modelling

This is a vital tool for long-term financial health. A cash flow model will demonstrate how much income your investments can generate, and highlight risks that require addressing. It can also help to guide spending habits and ensure your lifestyle is sustainable over the long term.

2 Career-ending insurance

This will be the best investment you have ever made if you suffer a bad tackle. There is a greater need for this in the early years when you have not had time to build up your wealth.

3 Tax efficiency

Your wealth manager will structure your investments with an eye to tax efficiency, possibly including specialist investments attracting tax reliefs. Having a tax-efficient plan can significantly grow your investment returns and your wealth. As a rule of thumb, if something sounds too good to be true, then it probably is.

4 Investing

Creating an effective investment engine is a key part of your financial plan. This is likely to involve a healthy spread across asset classes and themes in line with your attitude towards risk.

A good wealth manager will work with you to understand your preferences for where or how you want your money to be invested. For example, many clients opt to invest in environmentally and socially responsible portfolios.

Investing involves risk, but there are also risks to not investing. History suggests cash loses its value over the long term. This is particularly the case in the current climate of low-interest rates and rising inflation.

Common pitfalls to look out for

While every athlete is different, there are a few financial mistakes that are common to many.

We always recommend that you:

- Avoid the temptation to take advice from friends and acquaintances if they are not qualified professionals.
- Resist the urge to put everything into property. Property has a place as part of an investment strategy, but it is not the only asset class and it will rise and fall like any other investment. It comes with often complex tax considerations and burden of management and maintenance.
- Do not invest blindly on hearsay into esoteric or trophy investments. Do your due diligence and use a professional adviser.
- Try not to hold too much money in cash for long periods. This will reduce the temptation to spend it. You are likely to be able to obtain better returns elsewhere.
- Avoid unstructured or unplanned debt. Debt can be useful, but only as part of a plan. Expensive and unnecessary debt can erode your wealth.

*Source: Charities Xpro and FIFPro



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