**NFL Players’ Podcast Ep 07 Transcript**

Riccardo Stewart (00:11): Hey, we want to welcome you back to another episode of the AWM NFL podcast. My name is Riccardo Stewart, and I'm joined with my friends - Zach Miller, Jeff Locke and Sam Acho - and we are starting a series in podcasts; and since it's tax time, we're going to be talking a lot about taxes. But before we do, guys, and a couple of questions for you guys, like just this week alone, right?

(00:22): We just got back from the combine, we're kind of hitting things running. What's one thing that you're just looking forward to or preparing for, for our current clients right now? Zach, you start.

Zach Miller (00:45): I'll jump in. I'm not looking forward to it, but it is what we're doing is all the tax, the tax documents, all the, all the gathering of information gathering of all those forms. It's a pain, but, you know, as we'll talk about here in a bit, you know, paying the least amount in taxes is something we want to do here. So doing that right now, I think. Yeah. For yeah, for me or all of us in this call, we got meetings coming up with our current NFL clients. So we're doing a lot of prep around that.

(01:08): We're scheduling travel, trying to get face to face as much as possible in the offseason when kind of in between vacations. It's kind of word for word scheduling around with our guys coming back from overseas. So that's what I got got going on that I look forward to.

(01:26): Sam I'm going to put you on the spot right now. So I mean, you got shows, you're doing an ESPN, you got the work that you're doing with us, with our current clients and so forth, instead of what you're doing. If there were a song, that would be the theme song of your week. What's playing in the background of your week this week?

Sam Acho (01:40): Well, this song has been playing in the background in the last few weeks, and the song is called Seasons by Hillsong United and it's this idea of how life comes and goes in seasons and how you may plant a seed in the winter and it doesn't grow until later.

(01:56): And all of these things are sea may die in the winter and it grows later. And so that's kind of been what my story has been, this idea of seasons and thinking about a bunch of the guys we work with, our current clients, even prospects are in the off season. And so this idea of, okay, what do you do in the offseason or your current season or a different season of life, you're going through some kind of transition.

(02:16): So seasons for me is the song that's been playing in the background of this season of acting.

Riccardo Stewart (02:23): That's crazy because you said Hillsong United - a worship song similar to me. Mine is Nipsey Hussle. I'm getting ready to go to L.A. for several days to meet with some clients and some prospects and so forth. So grinding all my life.

(02:39): Let's get it, you know, I mean, so it's a season of grinding all my life. So let's jump into this. Okay? We talk about this and you heard it said that there are two things that are undefeated death and taxes. Okay. We're not going to talk about that today, but we are going to talk about taxes - and so this is how I do with my kids.

(02:54): And this is not unique to me. I understand that. So when I first start learning how much NFL players and people that are in that highest tax bracket were getting out of their taxes, I'm like, how do I continue to teach this to my own kids right now? So we go to in and out and we get their fries.

(03:09): Easy way to do it. And I say, okay, how much money do you want to have? Do you want to have as much money as me and mom? Yes. Wa-wait? Or do you want to have like Patrick Mahomes type money? And of course, they're like, now forget what you guys got going on. I want that Patrick Mahomes kind of money.

(03:23): I'm like, perfect. So I take 40 to 50% of their fries and goes, These are daddy's fries now. Like, what? No, no, no. You got to pay toll to the troll. In this case, I'm the troll. And just begin to talk about what you think you have is not what you have. When our guys see that or people see the ticker and what athletes signed, that's not exactly what goes in their pocket because we got to realize the government is going to be able to get theirs.

(03:47): And so, Sam, let me start with you. Somebody who's coming out of the University of Texas, you know what I mean? Dallas is finest. When did you begin to realize, like, wait a minute, what I quote unquote make is not what I'm going to get in my pocket when, you know, the tax man was going to get his?

Sam Acho (04:03): I knew it when he got his I knew I found out when I got my signing bonus. Well, I came out during a lockout. The NFL lockout 2011 was when I got drafted to the Arizona Cardinals and there was a lockout. So I got drafted and then it was like, Hey, you can't come to the facility. There's this kind of deal where the NFL players versus the league or try to figure out, hey, what do we what are our terms going to be?

(04:23): And finally, it was a day before we reported to training camp and I went to the bank. I got my check. I think it got in the mail or something, and it was like half of what I thought it was going to be like. I saw a number and I saw a different number and I'm like, “Well, what happened to the rest of it?”

(04:40): And so that's when I really realized from a physical standpoint that, wow, people Uncle Sam Raimi, they me, Uncle Sam, but like somebody is taking a lot of my money. And so, you know, you may learn about taxes. You know, oftentimes even in college we didn't really learn about taxes. We may hear about taxes, but so you get that experience.

(04:59): It was this visceral deal of, whoa, what they said I got wasn't actually what I got. And so it was disorienting in some ways. And I had to, I would say, had to make that many adjustments, cause I'm either like after every single week when the check came once again, that was the same issue of like, hold on, “how come this is like half of what I thought it was going to be, or at least what it looked like up top.” So that's when I realized when those checks were getting cashed.

Riccardo Stewart (05:26): Well, and most guys who were coming out of the draft, they're usually given advice. You know, here's what you should do with your finances and here's what you should do with your taxes, Either their agent or somebody’s telling them. And what was like the kind of general advice that you receive saying, which is probably the same as most of our guys received. And what what was that?

(05:42): Well, a lot of the advice I got was was twofold. One, the initial advisor that in my mind, my teammates that went with, “hey, you should come with him.” I didn't really side fully with him, but I didn't get any real tax advice from that person. So it was kind of left to me to figure it out.

(05:55): That was the first response I got when it came to taxes. And as I started to dig deeper and ask more questions, the response I got was, well, you know, we don't do taxes. That's separate. And we want to make sure you keep that separate. But I'm like, “okay, but why?” And then I'm getting charged separately. But how are you getting your percent?

(06:11): It doesn’t make sense. And so all I heard at least early on was, hey, we don't know much about it. Then it was, hey, well, we don't do taxes. You should have that separate which I still after years years my head. But “why, why, why?’ I can never get a straight answer.

Riccardo Stewart (06:27): Yeah. Yeah. Well, this is when I plug in my if this were like the the genesis of a 30 for 30 story, like the music would play, and I would say, “What if I told you, fill in the blank, right?”

(06:28): What if I told you I knew somebody who listened to that advice? Had an advisor on one hand, and then a separate CPA during the tax another hand? And what if I told you this player played eight years in the NFL? What if I told you he played in two Super Bowls? He won one one he regretfully lost?

(06;54): What if I told you that this person lost out on over a million, maybe 2 million, and opportunities of taxes? And then what if I told you this person was Zach Miller and then I asked him a question? Explain what I just talked about. Zach.

Zach Miller (07:09): Yeah. So I mean, me, me doing the CFP. I went back and looked at the game tape.

(07:15): I was an NFL player for eight years. I was in the highest tax bracket for eight years. I was told, Hey, let's keep my CPA separate from my investment guy. All that really did was leave a ton of money on the table that I overpaid in taxes to about $2 million. And you know, that's going to be even worse because that's money you can never go back and get.

(07:35): Whether it's putting it in like we'll talk about later is like a Roth IRA or an individual for okay, you can never go back in time and go get that money back that you could have done the tax planning for. And then like not all income is treated the same. So I didn't understand like different buckets of income, whether that's your your wages from your team, your salary from your team, that's different than investment income.

(07:56): And then when you get investment income, that's even that's even different. There's preferred rates of investment income which are taxed lower. You know, you think Warren Buffett, he he's famous saying that he pays less tax than his secretary. There's that lower that capital gains rate all those lower tax rates. And then there are those higher rates, things like interest and ordinary dividends.

(08:17): Those are all paid at a higher rate. So I went back, looked at the game tape, $2 million I would have saved if I would have done things with the information I had now.

Riccardo Stewart (08:26): Well, there's a few things that you said there that I always like to echo. $2 million is a lot of like a lot of money that you lost out on are people might want to know how much money did you guys all play pay in taxes?

(08:40): Just a little sidebar, Sam, do you know how much roughly you paid in taxes while playing as a as an NFL player man?

Sam Acho (08:48): Jeff looked it up online and gave you a number. I don't want to believe that number, but it was a lot. It was in the M's. I'm like, I is crazy. I'm still like, Yeah. So anyways, yeah, I was a lot while we were in the corner.

Riccardo Stewart (08:59): When you are in the M's, you taking L’s.

Jeff Locke (09:10): Yeah, I was a punter in the NFL for five years. Didn't get many years with these guys and I'm in the M's. All right. So we all paid a lot in taxes on this.

Zach Miller (09:23): Yeah, mine was about 14 million in taxes that I paid. So with, with big numbers, big contracts, big money. That's more money that you should pay - be paying attention to. And it's really hard to get that. Like I it took me a long time to get it. You're in your twenties you just don't understand there's just levels to the tax code and being able to minimize that as much as possible. But it's - it's painful to know that like, especially when, you know, I could have done better.

(09:34): I could have I could have blocked better on this player. I could have got that pass like that, those opportunities, you just can't get back.

Riccardo Stewart (09:50): So so just a little bit of teaching moment. So when they go down to the professor. Jeff - Okay, so all of our guys who are listening this are all guys who were guarding the draft and NFL players. They have to understand like income and there's kind of three sources of ways in which they're going to get income. And so whether it's W-2 299 and then even their investments, can you break those things down those three ways and what they actually mean?

Jeff Locke (10:12): Yeah, So I think of it we all think of it in 2 to 3 buckets. Simplest bucket one is what we call W-2 income. If you're in the NFL, this is exactly what Sam talked about, right? You get paid from the team and taxes are coming out before it hits your account. So you see in your checking account the after effect, you're like, “dude, where's the rest of my money?” Okay, so that's bucket one.

(10:25): That's W-2. You have to most people in America get paid like that W-2, right? Bucket two is 1099. So anyone on the call thinking about and I'll income or like for us in the call in the NFL when we got our NFLPA licensing checks right that's 1099 income that means taxes have not been withheld yet but you're still going to tax on what you got in that 1099 endorsement income bucket.

(10:51): The third one, one that Zach just touched on is the investment income bucket. And within investment income, there's different layers. As Zach mentioned, there's some types of investment income that get taxed at a lower rate, right? The government gives you breaks if you do certain types of investments as other types of investment income that get taxed at higher rates.

(11:31): Right. Think about interest coming off of a bank account or even like rent or real estate income that's going get taxed on a slightly higher rate than everything else. So those are the three main big buckets to always keep straight when you're thinking about your income coming in the door.

Riccardo Stewart (11:42): Okay, Just kind of staying in that same lane when it comes to investments. So taxes and investments. Zach, since you know this really, really well, are there certain investments where you mentioned the line already that said that he pays less in taxes than a secretary? Or are there certain investments that we should be thinking about as NFL players that are just more tax efficient given the tax bracket that we're in?

Zach Miller (11:54): Yeah, definitely. So for me, I went back and looked at my tax return and you can do this. You can look to see on your front page of your 1040, the very first page of your tax return. If you're getting income, that is interest ordinary dividends and that's showing up on your tax return. While you're an NFL player in the highest tax bracket, you're not maximizing the amount of money you have at the end of the day in your pocket.

(12:18): So having that money, you can get that when you're done playing. Like when when I'm when I was done playing, I dropped between the 7 and like 14% average tax rate depending on the year. And that's way better than paying 40% plus with federal and state as a player.

So if anyone is is looking at how their taxes are done now, any of that income that's taxed at a basically a really high rate, the same rate as your salary from your NFL team, you want to defer that out into the future.

(12:57): So we say turn that faucet off. As a player, you don't actually want income. You have way more than enough income as a player. You don't want income once you're done playing and you're like, Hey, I need to replace these NFL paychecks. Boom, turn that back on when you're in that favor. More favorable tax rate.

Riccardo Stewart (13:14): That picture out there and then emerges so we all get this is that's something we all use that spigot that's in the front of the house water's in there. Boom. You don't want that filtering through that tax bracket. But when the time said when it lowers, we can do it.

Sam, I'll tell you this or I'll ask you this. What was just some of the best advice that you received in terms of taxes or maybe even not so best advice.

Sam Acho (13:40): The best advice I received. This is before learning about AWM and multifamily office and family office and having it all together. The best advice I received, honestly, when I was a player was: Whatever you think you got a thank you signed for, cut it in half and just plan on that.

So let's say you signed a $5 million contract and let's say it's 5 million guaranteed. Well, just expect to have about 2.5 or maybe 3 million. That's actually yours.

(14:12): Aside at the same time, a $10 Million contract even going to what's guaranteed, because oftentimes look at those contracts, not all is guaranteed, but whatever that amount that's actually guaranteed, whether it's in a signing bonus. Right. So you got 30 million a sign - well, it's not really 30 million. It's actually closer like 15 or 20. And so that and depending on where you live, etc..

(14:31): And so that was the best advice because it just helped change my frame of reference before I even changed that, the frame of reference of those around me. Hold on, hold on. All that you're seeing me sigh for on that ticker, number one, it may not all be guaranteed. That's part one. Part two, even the part that is guaranteed.

(14:49): I'm not seeing all that. I'm only seeing right around half the stat that General, that was the advice that I got when I was playing. And so that helped me. That helped me brace for what was to come of this idea of people talk about the more you have, the more you have to worry about. But that tax piece of, wow, that 1 million or 5 million or 10 million or 3 million, eight, 3 million, it's really one and a half.

(15:13): It's maybe closer to two.

Riccardo Stewart (15:14): That’s good. One more question, Jeff. When we meet with guys, draft guys who are coming into the NFL or guys who have come to us who have already been in the NFL, who've kind of already been through this process, when we look at their returns and we look at their finances, what are some of the common things that you see that are missing?

Jeff Locke (15:35): As Zach already mentioned, one which is we look at the front page of their tax returns, see all these types of investments that not certain types of income were like might not be the right timing to have those type of things splitting off and increasing your total taxable income.

(15:50): The next thing we see and we'll talk about the next episode is just the wrong account types, right? We don't see a Roth IRA. We don't see an individual 401K, we might see a Sep IRA, but it should actually be an individual for one K instead. And we don't see a donor advise fund when we know that person might actually be charitably inclined and wanting to give back.

(16:10): So those are three where like we can pretty much calculate the amount lost to taxes over a certain number of years just by not seeing those account types right off the bat.

Riccardo Stewart (16:20): Yeah, that's good. Well, in short, as you guys know and conclusion, there's a lot we could talk about with taxes. Some of the things that you can expect to hear is talk about Jeff said it is wrong or bad investments as it relates to your taxes.

(16:33): We'll talk about the Jack tax and what does it look like that I'm playing in these multiple different states and how I'm taxed and then what accounts should be open in order to have it deferred or at least to mitigate some of my taxes? How do I get to the point where, like Warren Buffett, I pay less than my secretary?

(16:49): Let's assume that you have a secretary. And so we're looking forward to talk to you guys more about tax strategies and what's the best way to to enter in this conversation as somebody who's in the highest tax bracket. And so if you have any questions or things you want to hear on the next several podcast, the best thing that you should do is text us at (602) 989-5022. Again, Text us at (602) 989-5022. Until then, we'll see you guys soon.