Josh McAlister ([00:10](https://www.rev.com/transcript-editor/Edit?token=1HRKFWdp6V3yi3Je_BE4d0NEwS7JV6y1p_LRVO5L17vZV4WsHtCzyjxBf0qQDSG1_E8dVu5LpiRWeoI3rkNkcWppISg&loadFrom=DocumentDeeplink&ts=10.95)):

Hey everyone. Welcome back to the MLB Players Draft Podcast series. I'm your host, Josh McAlister. I'm a CPA and a certified financial planner, and I'm joined today by my co-host, Will McGuffey, who's an attorney and certified financial planner himself. Will, thanks for being on the show.

Will McGuffey ([00:26](https://www.rev.com/transcript-editor/Edit?token=aiJEPjsvQ1yPfe1hVAhZo8Cdih9cajgIsygwuWwQ2M2srKtal4hZ_Mnr1PfSXKugOBqjE6plTkrgUaQabP9z_zpClss&loadFrom=DocumentDeeplink&ts=26.64)):

Appreciate it, Josh, as we're here to talk about everybody's favorite subject, taxes.

Josh McAlister ([00:32](https://www.rev.com/transcript-editor/Edit?token=pmm9CANSOZ-IeiJ5mJCQSEMls3UVMBjZruySQs4ksjbg88PGcGafhUMfR4fsUCOCojLnjGHckx9e-zNBUziSqV2eLFw&loadFrom=DocumentDeeplink&ts=32.91)):

It might be my favorite subject, but yes.

Will McGuffey ([00:35](https://www.rev.com/transcript-editor/Edit?token=7jmNUUuKrMxYW84aCxI0LCUJ6MZuyCYG-3pv03k3gloHMWtXSshiaEHyjVrqrS-k8j1zb5XB1kl6GBCB_fuKwbXwDtg&loadFrom=DocumentDeeplink&ts=35.1)):

Nobody's favorite subject.

Josh McAlister ([00:36](https://www.rev.com/transcript-editor/Edit?token=RzLQmkW71-xxXoO9Z_kydFGjbLnbhsgaK5QwQ8kZwRW0CyzN9UlhsKkQNQMvqyz5-mTADEjFOpD53Vf8Zzi106qiDXc&loadFrom=DocumentDeeplink&ts=36)):

But yeah, nobody's, yes.

Will McGuffey ([00:37](https://www.rev.com/transcript-editor/Edit?token=DIq6pDHj8WT98JMCD1s5QI9zV3r00iaP1QNe8_8h9LeJkI9TLd6oeBUyB-93wLQhV02pAl7ic4aMXq2sxNZ_oZcKZZ0&loadFrom=DocumentDeeplink&ts=37.11)):

But more specifically, we're here to talk about the difference between tax planning and tax filing and really get down to a discussion about how those two are different. So I guess the way to start this conversation off is how do most people handle their taxes?

Josh McAlister ([00:53](https://www.rev.com/transcript-editor/Edit?token=VPFk_a1FUo6w2Jw3WRTxjOnUOSUvVz5jWDA7v-beAP5dXbI968i1vNzdRFKVsqV1R0OLad7kgQSNZUoCVcZ-Gl_Xgug&loadFrom=DocumentDeeplink&ts=53.91)):

Yeah, I love this question because if people understood this, I actually do believe that a lot of the tax planning that is missed wouldn't get missed. So let's just talk about how people interact with their taxes. They get a bunch of documents in January, February and March that they really don't know what they are. They're the W-2s, 1099s, 1098s, 1095s, and you're just sitting there going, "This is really confusing. Let me just hand this over to my CPA and he'll prepare my tax return. If he has any questions, maybe he'll reach out." That's how people interact with their taxes, and your CPA might tell you you're a good client if you're just really organized, meaning that you have all those documents and you can easily give them to them to prepare your taxes. And then once you get your tax returned back, what is your judge of success? How big is your refund?

Will McGuffey ([01:47](https://www.rev.com/transcript-editor/Edit?token=mc1ALZmY1edkZXWFgZ90Fn8IaSw0_OLXl8SPaygQtpVAAi7AvbpT2c6vuTgVt6-TORjbWPU3OUd6ODqtadz5IO9qLGA&loadFrom=DocumentDeeplink&ts=107.97)):

Did I get a refund?

Josh McAlister ([01:48](https://www.rev.com/transcript-editor/Edit?token=Ac9up3YIKSszYuOPkpHD1ENlikb7kb10aqngG3beqMBPjNfm5y1wR3HGmsRrqDRDQLGR9hrE8Qpt-UaQ5PE26jZG0oo&loadFrom=DocumentDeeplink&ts=108.75)):

Did I get a refund?

Will McGuffey ([01:49](https://www.rev.com/transcript-editor/Edit?token=6ZuxyrMTb2j4UA4s50y4ffBEA6lCooOQnF9paGectiJYwGlIT5PGW82CKX8_NFiYHU1d1i4X5Eg3hcLBHgBR_aIyZEw&loadFrom=DocumentDeeplink&ts=109.59)):

If I didn't, you did a bad job.

Josh McAlister ([01:50](https://www.rev.com/transcript-editor/Edit?token=Yz_PstcMO5MI_m0iKkobKmS0vXfuXfGGewobvAqwk6IWaGjkbh9sJVAVcyR_oL1tUTGECVp8xzy-vyKKK2vVMX49x5A&loadFrom=DocumentDeeplink&ts=110.73)):

That's right. And my CPA is... my guy got me a bigger refund and therefore he deserves my business. Well, I'm here to tell you that's the worst bar of success to measure him against.

Will McGuffey ([02:02](https://www.rev.com/transcript-editor/Edit?token=6-iLiVZBLUCYtfqlaVjQCQHpx2_LYypf4suOwW8-yHlfvmodtfaD_o_dh_NKTvOjknNZfoHyBvSpLBLExQH8xTnUMGA&loadFrom=DocumentDeeplink&ts=122.49)):

Well, you're saying that's the worst bar of success. How should we actually measure our success and how do we know if our CPA is actually doing a good job for us?

Josh McAlister ([02:13](https://www.rev.com/transcript-editor/Edit?token=rt2dEMXMKK2d1mhCvbob2lS24eC9SZFcvQCYtECb10Hb7LFZcKYJTqpf_3rgDxkG_eDP-t3_qqeOfr_-F9_eXIRJCSk&loadFrom=DocumentDeeplink&ts=133.2)):

If we're proactively planning before we get those documents. So really, if we're actually planning before 12/31 of that year, so for example, all your tax planning for 2022 should have happened before December 31st. That's actually a very uncommon thing to say, but the most important date in the tax world is not 4/15 when the deadline to file your return, it's 12/31.

Will McGuffey ([02:39](https://www.rev.com/transcript-editor/Edit?token=NRqaxMnN_MJxwpqbF1TFRPMbXlgrBy7lJ6QSXAWzLaqCdgNJGQ5t8abVLbyr4SSF0UiSeJebedGfrC02l6Ue6JG1s9U&loadFrom=DocumentDeeplink&ts=159.45)):

So it's the previous year, end of year.

Josh McAlister ([02:41](https://www.rev.com/transcript-editor/Edit?token=9uuet5GDceVQbq9ntU516cxIzlIANfl5AN2Khd7qh7mWlk-0dbBU_EVWgRVEYnW6KzKaw6rGhRMt7WAkXrGTv6_OJ2g&loadFrom=DocumentDeeplink&ts=161.34)):

It's the previous year. Because... here, let's just go back to the refund thing really, really quick. All that is is just an interest free loan to the federal government. That's what you're doing. You're not getting anything back when you get a refund.

Will McGuffey ([02:54](https://www.rev.com/transcript-editor/Edit?token=tZo7ebeg7lgBnmjEX14sxYB-0todGBjfM8eJk2euYWCKw1hFidyfFYv-tL4V9tGQ7fcH8p8r3xEpx1QkmCFA6bUsfOE&loadFrom=DocumentDeeplink&ts=174.12)):

That money's not in your account. You're not able to utilize it in some other manner. And what you're talking about in that first scenario was that's just tax filing. That's tax preparation. There's no planning going-

Josh McAlister ([03:06](https://www.rev.com/transcript-editor/Edit?token=VcrmonO462jVAkzbSeOxh2dycyFcA1RF20YMv-W4ulhyUVTpVlKgIHfU2nrtcdo6VkJKZ5UeaB8wJao4rO47OHkhMJI&loadFrom=DocumentDeeplink&ts=186.72)):

No planning.

Will McGuffey ([03:07](https://www.rev.com/transcript-editor/Edit?token=SRbW8q8OUOaW9qUD-ZPBtmKP6j-4vGUd_mIY2pQm6Si3aeAYOi1aNC3seIQ7_6OSTSKuwgqCzMb54MC8GI0dILePHrw&loadFrom=DocumentDeeplink&ts=187.32)):

... going on. Now, when we talk about planning, can you break that down a little bit and tell us what is tax planning, how is it accomplished? And then also kind of break down and say, "Hey, during tax planning, these are the things that you can actually do that are missed if all you're doing is tax filing."

Josh McAlister ([03:24](https://www.rev.com/transcript-editor/Edit?token=Us05vC8FpXsXolmfKSEGHPKxcFttDhDmz_WzCLooctwn_v2SRBy_Lryn5qxF9Lv2G-u_cbsO_ieiOd379e6rvsZENLw&loadFrom=DocumentDeeplink&ts=204.96)):

Yeah. I think we'll get to some handful of tactical things that are pertinent to really the MLB player, and the draft player as well, but really tax planning, as rudimentary or elementary as this sounds, you're planning to get every number on those tax documents that you may not understand, but that you know are going to be there so that the CPA can file the return accordingly. You should actually plan to add a minimum break even, meaning that you're not getting a refund or issuing a payment, or pay as a large amount of money as possible when you file your return.

Will McGuffey ([04:00](https://www.rev.com/transcript-editor/Edit?token=aI6oKzZIwWfvvihhxRYyBd9-YD-_E62tsLHC5BgAZanekgRLl9sKvKpGLQssoYSeTVWtn9FeOcbqcE7r5hK55MFNzfw&loadFrom=DocumentDeeplink&ts=240.51)):

But I thought that was a bad thing.

Josh McAlister ([04:01](https://www.rev.com/transcript-editor/Edit?token=xjya96-Ey7axOHQVaZTBn0h9tRjR7eynTU4t__ZX0IJSbFzoZKejhMtGbMzQoqnUVmjX5MvBc06FthT0x8oiqciQowo&loadFrom=DocumentDeeplink&ts=241.98)):

I know, it sounds weird, but more money in your pocket means that you put that money to work throughout the entire year, not what you lent to the government that they are then returning back to you.

Will McGuffey ([04:13](https://www.rev.com/transcript-editor/Edit?token=YAQHCFP0c1pcPjomMGz-i_BDuRsY-2qGxkWzj1aTRxK1fz4FDh04Ig12EQLPavYUu4SnPs-E02WFICmOFOMjnecU6mA&loadFrom=DocumentDeeplink&ts=253.71)):

So when you sit there and you say, "Hey, I'm going to put this money to work," what do you mean when you say, "Hey, I'm going to put this money to work," and then how do I actually do it? Am I sitting there holding back money that I should be paying? Do I owe penalties? Do I owe interest? Or is this all allowable?

Josh McAlister ([04:29](https://www.rev.com/transcript-editor/Edit?token=TxGZ1kid2-s9Ci8aN7zI9e-va7lQx8wGe-_4Rt4XhapJDCtxE4iD-JptJEmsQwJsyfBnyuwHB7-8CYUAPrd3QGY4yhs&loadFrom=DocumentDeeplink&ts=269.85)):

Yeah, I think that's a great segue into just one of our five things that we can talk about, even from the tax planning side. One thing that you just mentioned is like, "Hey, how do we even pay taxes?" There's something called safe harbor tax planning that we can even just start with. That's basically you just determining when it's most advantageous for you to pay your tax liability. Everybody has a tax liability. That's not when you go like, "Hey, I'm getting money back from the government." No, you have a tax liability and there's certain rules that allow you to avoid penalties and interests. So what happens is players or people have spikes in income from year to year.

([05:09](https://www.rev.com/transcript-editor/Edit?token=fdZKF5WeWR6ks19WCw-AdN6ojN-cEtsJe0BLN0dc8zYFPDbnxdeKq0WOwNf7QZlcFxR42-MfCpdjSz78BBK1CRtpfGE&loadFrom=DocumentDeeplink&ts=309.27)):

The government says, "Hey, you can't just stroke a check when you file your taxes every single year," because they have to fund all their projects throughout the year. They have to make sure roads are paved, that lights work. That makes sense. That's good, actually. Opportunity happens when you have big spikes in income, you can actually pay more at when you file your tax return. So let's say have a $4 million bonus, you have a million dollar tax liability, you had no income last year. You can withhold or hold back as much of that money as possible, invest that money throughout the year in something safe, don't get crazy with it, but you can earn two to 3% interest right now. That's $20,000 to you by just-

Will McGuffey ([05:53](https://www.rev.com/transcript-editor/Edit?token=x_4mE3iAQ-ih0o5RMHbZBrnorENCFQFm-yNA4cYpGx-AtCu4_g8fJ_ZA7sXLOtLKSOAn6G4OeVCjcYJDyAnCikamtJ4&loadFrom=DocumentDeeplink&ts=353.43)):

Just by...

Josh McAlister ([05:53](https://www.rev.com/transcript-editor/Edit?token=u6_w0qi-NAjF8idIUxx9DLZZAQybelE-Hi7e5WK3n0tGv3yXSAuKtgMEbE9bQVyT3nGpDBnFYZIV5DrwQTlnu7dcT4Y&loadFrom=DocumentDeeplink&ts=353.58)):

... just by figuring out when to pay your taxes.

Will McGuffey ([05:57](https://www.rev.com/transcript-editor/Edit?token=rsCEA-2hvPldJjOCEcoPDhhr596J2YSbM_Q2sjaGSKozfn5dJH21zfkqIdJhaD_Q3IZJskevHACp-nY-dx3f3rxfHyo&loadFrom=DocumentDeeplink&ts=357.78)):

And I think what you said right there to help understand again, the difference between withholdings. Withholdings are when that's held out of your paycheck by somebody else versus you controlling it and it's not a withholding, but you're actually holding it yourself and doing something with it that makes a positive income for you. Whether it's two to 3%, that's still 20 or $30,000, correct?

Josh McAlister ([06:18](https://www.rev.com/transcript-editor/Edit?token=nYsu_9aI08I4yew722govYYIwDKlEPmRoTSrINAaigEu65lzLx0XvaieqmaLMUGsNAfZC37dJDUn9Biwbs7Rl4KVTOA&loadFrom=DocumentDeeplink&ts=378.36)):

Correct.

Will McGuffey ([06:19](https://www.rev.com/transcript-editor/Edit?token=iudrSO0qYYNz3Xwl95BzuP5HTQ3eoKKUsHUUIC5DoUxgb-Zs4u0_9w1V6sQAIzJTmE5b6q9eweoLc9jDMQKzfyyLNic&loadFrom=DocumentDeeplink&ts=379.41)):

Okay. What else, I guess, when you talk about what is normally missed? What do you see missed by people that just file taxes versus people that actually do tax planning the year in advance?

Josh McAlister ([06:33](https://www.rev.com/transcript-editor/Edit?token=pJRnRYmHwEJwIGNIPwsWAAcgpX-j4ETCS4b2zffbfXhWn4TDUx8jYb-sdBirUygx1N4dB4ZgWFKk3YDirRlyAJLL028&loadFrom=DocumentDeeplink&ts=393.57)):

Let's start with the big one, residency. It's the hot top of everybody wants to make sure they hit on. It's not known though that a draft player's bonus is not looked at by the IRS as a true signing bonus. So the IRS says a signing bonus is legitimately like I signed my name, I've then done my duty and I can now receive compensation. The IRS doesn't look at that like that because in that contract there's something called the recoupment clause, or the abandonment clause, all those are synonymous, that basically says the player has to play five years. He can't retire, it's basically the team's protection that says, "Hey, I'm going to pay you $5 million." And then the kid just says, "Hey, I'm out. I'm going to bounce and take my $5 million."

Will McGuffey ([07:16](https://www.rev.com/transcript-editor/Edit?token=lgUpOqnAvY6gdTee54HOox40sc5cMdUZyp4OhvuTBMXw7xCgUZRiYGiolwuPpQvxdsb4tv6ZrP8cBbS0qO_-AqjPpRQ&loadFrom=DocumentDeeplink&ts=436.8)):

They can recoup it.

Josh McAlister ([07:17](https://www.rev.com/transcript-editor/Edit?token=K8W0o779NAf_RLM0JpLd0SAYYJNN9YeGGjIYwC2Vapk22edGapfDLt3zE8hRTD-rf8FTMlZKnvCkPqZGvquYGBOLODk&loadFrom=DocumentDeeplink&ts=437.58)):

They can recoup it back. And so then the IRS says, "That's not a signing bonus, that's W2 wages," which the important thing there in terms of residency, you pay where you reside, everywhere, in any standpoint, but making that W2 wages also where you play. So it residency actually may not matter depending upon the planning that you do. What I mean by that, let's say you live in Georgia and you move to Florida or to Tennessee or to Texas where there's these 0% state income tax rates states and you earn your bonus and you're in Maryland when it's paid out, residency doesn't matter. You're going to end up paying to Maryland unless you proactively plan, and we've done this and worked with agents in the past on, the amount that's paid, maybe taken that clause out, which is difficult to do.

Will McGuffey ([08:07](https://www.rev.com/transcript-editor/Edit?token=pima2912EkbswYC_x6S4cPCGvwCvQYe7DJ2KHeVBfw9qmyO7ZDvpEZPMIRb4yAql7BwBwq3X0Jw3bbMtpnoh72L8LIY&loadFrom=DocumentDeeplink&ts=487.11)):

Well, that's what I was going to ask, that you're going to need... the language matters. So you can come in and if the language is in there, you need to be aware of it and plan around the language being there, but also you can plan to have that language taken out. And I think we're going to go into more detail on the differences in another segment, but those are just things that we should plan for and look at in the contract. What are some other things that are commonly missed? Is there 401k? Is there IRAs? What are some other things that I should plan now instead of when I file or I might miss out if I don't do it now?

Josh McAlister ([08:38](https://www.rev.com/transcript-editor/Edit?token=1k_BKxGBZJid44WumY48GsB58C87gKuO02CfUblgVf8qgWNAwU-FtpVBj-eFkeOdmEqJzvmllbBs25ZPWU9zMhYOZ-k&loadFrom=DocumentDeeplink&ts=518.16)):

You should ask your financial team, "Does the team that drafted me, do they have a minor league 401k?" You should ask that, and that's going to-

Will McGuffey ([08:46](https://www.rev.com/transcript-editor/Edit?token=sakJmsikh-BtxVgRIOZ_0UVzrjwHFaKVo8mefP3uCt3IVrjVuKFXHDCqdVNBtyb298gWyRpn2dnLV06BwJVT9hdJFoA&loadFrom=DocumentDeeplink&ts=526.41)):

And do all teams have minor league 401ks?

Josh McAlister ([08:48](https://www.rev.com/transcript-editor/Edit?token=dl2CEM2jGw3PinGMkfDHUPwe1Favrrm8mNsrwJQOoG1-zSDfz5jCQIwE1oNsmn5mI6AcohwqYr12zZvfq5nzDuw77K4&loadFrom=DocumentDeeplink&ts=528.03)):

No. About half of them do, half of them don't, and the ones that do, it's different rules. You can contribute on day one. You can contribute on a year later, but you need to know those rules based on what's available to you.

Will McGuffey ([08:59](https://www.rev.com/transcript-editor/Edit?token=Ugw3yZe0lhwA6AgmWSoGMFNaxc1C1e5C146-CCe-E1RtCAmfn5YRWeoH-fhFZt6RzmuQx9aw4IlOrKioV8agcN_uNTI&loadFrom=DocumentDeeplink&ts=539.1)):

And once again, that's proactive planning.

Josh McAlister ([09:01](https://www.rev.com/transcript-editor/Edit?token=jphSt-80n4Fs5gbMUpzh_DGUSf8D-OUlPuwmMgjJ4rS47pgLxc1Yp6_lqKZ2BwlLvQ-YHXc4bZQuCpR090hRBOvYIIg&loadFrom=DocumentDeeplink&ts=541.53)):

Proactive planning. Proactive communication.

Will McGuffey ([09:02](https://www.rev.com/transcript-editor/Edit?token=wpnbmhNxCgVNmhM3Dx2tCFhTjWLlh9uGVhOnZtlgLrCeYTADeWi1pgZEnrsFnK_qAoGlFofmyena4uyCJZ1G6iAE-uo&loadFrom=DocumentDeeplink&ts=542.52)):

Before you sign your contract understanding versus just, "Hey, this is what happened."

Josh McAlister ([09:06](https://www.rev.com/transcript-editor/Edit?token=G-JDk5Ky466ZEAIq9SuFDsQheW8PMXC_SDL0xahYD9VSTJuTMvp6QGl-hKYYN7xiJh8Z7EQC9BdavcWSpcM2OlYQoHw&loadFrom=DocumentDeeplink&ts=546.87)):

Yep.

Will McGuffey ([09:07](https://www.rev.com/transcript-editor/Edit?token=0sbLG-RmKJwNvtlBMXoeCvL9OmZuRoQqCkIGUmLoweKs20cGAUUR9F60U335v02B7EBNe9H71eudgays7f9iSmRUt-w&loadFrom=DocumentDeeplink&ts=547.26)):

Okay.

Josh McAlister ([09:07](https://www.rev.com/transcript-editor/Edit?token=tj6qJTPEKaYANeh9PhRW1UhWZyDRcxL7zl7z_m25cD_okZjWyHzufbKr7VeZJfHMj_rPiDgSB8fZQTLRr8TQz5iagPo&loadFrom=DocumentDeeplink&ts=547.68)):

Next one is thinking about your streams of income. We touched on this in a different episode, but you need to understand that you have retirement plans available to you based on your streams of income, which is your 1099 income.

Will McGuffey ([09:20](https://www.rev.com/transcript-editor/Edit?token=8a3cYY5DEOtydSPr-YW3j6f1gfB4pAm8tlsTXeUNS7eUjxe7dpgUa5aMQfE0rDx_QPqEtNTc2mlcJOSlp19zkmfH3WY&loadFrom=DocumentDeeplink&ts=560.79)):

And that's your endorsements, your autographs, things of that nature.

Josh McAlister ([09:23](https://www.rev.com/transcript-editor/Edit?token=I8iDijezwWV5RvOj6uqEIC9FOBpYV1RTolCE6g62YCW5jCisJMTzE1OiANuSkY6TBfGr7GcDio3P9Kh3mjnFCnVWq4I&loadFrom=DocumentDeeplink&ts=563.58)):

Yes. Yes.

Will McGuffey ([09:23](https://www.rev.com/transcript-editor/Edit?token=iw_wMzgMlDHVHS8D-ZfFrlErJKntV-Ei8smnty58O70OzyII4Da5aszRS6Oak5BmRtYay8LqvjelaLk9TWrVMs5Ovto&loadFrom=DocumentDeeplink&ts=563.76)):

Okay.

Josh McAlister ([09:23](https://www.rev.com/transcript-editor/Edit?token=eLMX62Qrd6kfuOFCMPnb2Pk6Wv8pgf-ZD-kOXOLQVlfye8gZTjCBzirI5a9x4UDJIg_0msnsXdb880ijiTHNHbGHnAM&loadFrom=DocumentDeeplink&ts=563.85)):

You can set up a 401k plan, something called an individual 401K, or solo 401k, for that stream of income, which all the money that you're available to put in that account is tax deductible to you in the year that you make that contribution.

Will McGuffey ([09:38](https://www.rev.com/transcript-editor/Edit?token=MT7vMbVUXZQ-ycEzmNbiDO40CbEZHKAu82JrXd2mhlUk4y6AUwuVhN44k8YYlEw_xzLUZJSjUiQ4hIgQOl7DT9iFP5k&loadFrom=DocumentDeeplink&ts=578.91)):

Okay. Well, let's just kind of... let's get a tangible example. Let's say that... we mentioned $5 million and you mentioned Georgia to Tennessee. So let's go $5 million Georgia resident moving to Tennessee, to Florida, to Texas, $300,000 in endorsement income. Just walk through the planning process for me. Right now, I'm the player. What do I need to be aware of from amounts to timelines and how should I look at this?

Josh McAlister ([10:05](https://www.rev.com/transcript-editor/Edit?token=40TmPWL7FGX8r3LHTBBxwdBuu9S1Z-HBTJwdSiuxbaRc2hoHzcFvmxGMy1IHQKOYHaa0IIhZ9RLu1VSP2-F_vX-1SWo&loadFrom=DocumentDeeplink&ts=605.16)):

First thing I would do with you is we tackle residency. So want to make sure that where you reside, if you choose to move to a 0% state income tax state, we do so. We have residency checklists for Tennessee, for Texas, for Florida, Washington.

Will McGuffey ([10:21](https://www.rev.com/transcript-editor/Edit?token=QHGZ-07W3VMivyJuiDudmOahD7DOVYRamIQSXBW5MKHBqo9LKwCwIq13ZwiKtBLbgwYc01Ltx6A193n9DgSiyrcetGc&loadFrom=DocumentDeeplink&ts=621.48)):

And that's to do it properly, it's-

Josh McAlister ([10:22](https://www.rev.com/transcript-editor/Edit?token=obfAuke0PtYHjXs7ctlh3LYbQ_cCH0JroYbce1V0zV4-5Ql-LFUkpxsLelN6ethD_4rOMuSQAZjkue91pSCFzCRmgjo&loadFrom=DocumentDeeplink&ts=622.98)):

Properly.

Will McGuffey ([10:23](https://www.rev.com/transcript-editor/Edit?token=6TsugnCfjqkQSnO-wcf_AXKpyHa3t82SPlHR2at5WhYhwEW-gwsSAS39MGtBwGhQ8kplTQeEyql468SugZUJuKiPPho&loadFrom=DocumentDeeplink&ts=623.4)):

... back of the tax avoidance.

Josh McAlister ([10:24](https://www.rev.com/transcript-editor/Edit?token=0hJLbNWCZjv1n9u8zz7wb8G48eSSm9zz6ilcvrZbQzhT4y_YEzGvoQUsyDjUDYRPPx4hVRu2B-CMgWGa_td3y92DakQ&loadFrom=DocumentDeeplink&ts=624.72)):

Correct.

Will McGuffey ([10:25](https://www.rev.com/transcript-editor/Edit?token=RmevzPuzzxBIbsUo1TKsLH7KcfldhAI4MREyhUlNRM3h2YSDgtpitO7sbFd0sW6577SRjgFbQEY-2BDWpoQVfUigK_w&loadFrom=DocumentDeeplink&ts=625.14)):

Legal versus tax evasion, illegal.

Josh McAlister ([10:26](https://www.rev.com/transcript-editor/Edit?token=wuY52Tvi4aBzuDtvvoXGaxmRhVmghEoQfbJsQz1pEp5ICPK5UStn_1Rgtf5f0vYv3ftFxTlHSUlHRSoP5Y6Tv_Imaug&loadFrom=DocumentDeeplink&ts=626.88)):

And that you actually live there. But what that equates to, if we tackle that first, it's about $300,000 to you. That's a big deal.

Will McGuffey ([10:35](https://www.rev.com/transcript-editor/Edit?token=J2eF19GzXMjFv6QDsaQFwt4-ruOESnvrzdd1vRRhj1GTqDMuOD9JgYv2fqt3lggBQnUh_Lvq_TisM2GKKx99KFYiwqY&loadFrom=DocumentDeeplink&ts=635.1)):

That's money in your pocket that otherwise would be going to a state government.

Josh McAlister ([10:38](https://www.rev.com/transcript-editor/Edit?token=-Zd-qTbdhqQ55NqY1PdrzRvcQn8R_mQFye5zEAeg48r3dHLonuRRyEc1OSsRsWBGCj2zDQ9bAMYrapF-jxJCPQ5qCuk&loadFrom=DocumentDeeplink&ts=638.55)):

Correct. Correct. The next conversation we would have is let's set up your minor league 401k plan. And if... dependent upon the rules is work with your agent to structure your tax bonus to maybe be paid out in one year's time if you have to wait a year to be able to contribute to it.

Will McGuffey ([10:55](https://www.rev.com/transcript-editor/Edit?token=okh8TAuAhR6TF637xctanS2CQ0i4fhcKubOsd7YtcaBDsMyFsXERKHLDRekybyNA2bcrthIMT0J4SbqtPNwuCB8cXN0&loadFrom=DocumentDeeplink&ts=655.53)):

Move some dates around.

Josh McAlister ([10:56](https://www.rev.com/transcript-editor/Edit?token=NSxOBSIMa4a2H-RW4g-fUKFwGTuHND1M_kZ3VhtpTK_RUJjA07KRRBOOVy2_pfnYENe9nIWPU3mSy3cXH88DO445IdY&loadFrom=DocumentDeeplink&ts=656.82)):

Correct. Move some small dollars. The max you can contribute to that account is $20,500 as an employee. So just basically push out one of your payments for $20,500 to one year...

Will McGuffey ([11:13](https://www.rev.com/transcript-editor/Edit?token=Oow1XcWD_b4sylyK5AWS2meJ8OUYiWEwd0S0IhukXt-8XHiwNDZZRpLpMoZ_1HbhLM-HJoM8VF03XYIVxgSAPJZaqtA&loadFrom=DocumentDeeplink&ts=673.08)):

If that's a rule in place.

Josh McAlister ([11:13](https://www.rev.com/transcript-editor/Edit?token=y7U0TKVY18ORDlOHUEN8W1xvGuuIL-5Ifq20QMVh8fhQ03BHLAuG3gn4220qxRXuMJm105AKu9cuT3lERaoY5HO0_K0&loadFrom=DocumentDeeplink&ts=673.98)):

If that's available to you, but just don't leave that on the table because translation, again, that's $9,000 in taxes avoided.

Will McGuffey ([11:21](https://www.rev.com/transcript-editor/Edit?token=E6ZZl3QgVZLt-XkBZo3nbm9Y6GIQX4ZFq1-qw-rz_rW_DjMFvykVsvBn9xDor7B_sRCF3wWpOp_hcW4XSZ5Xas1DDvc&loadFrom=DocumentDeeplink&ts=681.6)):

Plus, you've got an extra $20,500 in a deferred account for your retirement account.

Josh McAlister ([11:25](https://www.rev.com/transcript-editor/Edit?token=HtzVWoAcSUBzr9Ry8y5FY-XPpAitZb-7hdDgEXi0n7w5aJJ0lf4rWDdTmyA2p13QK2bNVWWo6BlZwUp4JuuwJ7Rb_80&loadFrom=DocumentDeeplink&ts=685.98)):

In an investment account, correct. Correct.

Will McGuffey ([11:26](https://www.rev.com/transcript-editor/Edit?token=t_uTM8KmIX8OTJuwCTQNDe5M3eH77iUv46N5DObudOE5dv6bsf04fVslxxpCPWyjE3rzXkYib0ei3Nilg8_s6luc_jE&loadFrom=DocumentDeeplink&ts=686.91)):

What else? We talked about the 1099 income. What are some things that I can look to around the 1099 income?

Josh McAlister ([11:32](https://www.rev.com/transcript-editor/Edit?token=u_fZmMfpQ5YZZk8Sfd1ZetczOnbs4ozCkmO9Takxg19lFoxtW3KQIqs8278AYxtFtZxjAlAEoVa_okIW-yzzudOgeck&loadFrom=DocumentDeeplink&ts=692.94)):

It goes back to that individual 401k. This is the one that we see missed. In working here at AWM, I've never seen a player or a different family that's come over to work with us that already set this account up. And I'm like... it does kind of bamboozle me sometimes as to why it's always missed, but basically you set up an individual 401K account. The rule is you have to do it by 12/31, so December 31st.

Will McGuffey ([11:57](https://www.rev.com/transcript-editor/Edit?token=QeGDs8KvDGraQbXqURzVvnKnUvkfuw3tHqW3ZGgPJIH2b21QGMVqhreD3TSSr6rrn1raQGFz_p64m_SpyGdthDPFQtc&loadFrom=DocumentDeeplink&ts=717.78)):

And this is, once again, this is for your 1099, for the-

Josh McAlister ([11:58](https://www.rev.com/transcript-editor/Edit?token=E--2cK_V7BrU4wGkLjYb6xuMDoK17UXRFHTguO1ttBHGZ4XFtMxvGSOeu2xbGbiUwgsSrbCDrVXbFbXuNIuMvbN3j_I&loadFrom=DocumentDeeplink&ts=718.38)):

1099.

Will McGuffey ([11:58](https://www.rev.com/transcript-editor/Edit?token=x4W_des-thwsdq2VzrbidJ21hWA_yqs-8jZKbJUzGUWWVe3b4ABluHAcvcXeIKsQ9mdoAL_jMyF5H2pyKjJMwBK_gjQ&loadFrom=DocumentDeeplink&ts=718.41)):

... those activities are away from your club.

Josh McAlister ([12:00](https://www.rev.com/transcript-editor/Edit?token=9htvEloj08TWTE_2BdOagSYiAuzazaUYXx0Q60Mp-HP5F-epwAxkJeMTSJy5DcqRzCaMIOgYovdMGx0vDfVT-Q7VuMQ&loadFrom=DocumentDeeplink&ts=720.3)):

Yep. And as long as you set it up by December 31st, you can contribute the maximum amount to this account. Why did we choose $300,000 of endorsement income that allows you to contribute the maximum amount? Because it is predicated on the amount you earn.

Will McGuffey ([12:16](https://www.rev.com/transcript-editor/Edit?token=80dePgtucslkm-iVNQgfG80Cgt6ZjEwY6L0fW3C2ipod0c4J8pOtwqxGgbzIIj7ibGyD0xM9ii0CneOUPob0DK6eVsA&loadFrom=DocumentDeeplink&ts=736.89)):

Actually earn. Okay.

Josh McAlister ([12:17](https://www.rev.com/transcript-editor/Edit?token=F-PfvWesVUCht83-Tm9aYfuy-HwEeoSCiD8ugBygxNF0SOz0Btwse7hTt59zIfl_X4x73nig0VhE0d18o4InQeVjn2c&loadFrom=DocumentDeeplink&ts=737.37)):

The IRS has set rules, which the max you can contribute is $61,000. Again, translation, this is $25,000 available to you in tax avoidance. And let me just pause right there. We say at times that these are cold, hard facts. These numbers are not like, "Hey, maybe this can happen or hopefully we can get it past the government." No. This $300,000 of residency in this scenario, that's real. It matters.

Will McGuffey ([12:47](https://www.rev.com/transcript-editor/Edit?token=_aXlRUqi1SupTzzxvDaTHFmXDWx8_lmM3-_003_NhwaPXxKoWvkNyoV_hpJYNPwa928GNo9fKjo-kRsQ_eZWSrK16Oc&loadFrom=DocumentDeeplink&ts=767.73)):

This is the tax code. It's legal. You can put it on paper and stand by it.

Josh McAlister ([12:51](https://www.rev.com/transcript-editor/Edit?token=d5Z_IUHlpgsNhZ-j4zHNI0fP8gmHLHd2gJLMkcTp9WGL1mmCIEFwFfDLI4ZxoMX6e4wT0g2QOyttKCTaK17fEj4PoiU&loadFrom=DocumentDeeplink&ts=771.3)):

$25,000 available to you from the 1099 endorsement income with the individual 401k, boom, matters.

Will McGuffey ([12:58](https://www.rev.com/transcript-editor/Edit?token=-1YZmhI7T7kq9uYcqbOJmXQXktVeRHnXSND7dIFvu5HOwwn8uAg7vV_N72d3rwKP12u_axRvl3FrfOyPji0xReanskw&loadFrom=DocumentDeeplink&ts=778.35)):

Well, one thing I want to talk about is as a player that's drafted, you have these huge spikes in income.

Josh McAlister ([13:05](https://www.rev.com/transcript-editor/Edit?token=65captjQx1PKygIuzYdqp0gAZ6n3IS9s_WIhSmTPc33z8hGlI_eIwFe9R4QQ6Gb15nhnNYu4UWVWyesK4dm8kI8UtGU&loadFrom=DocumentDeeplink&ts=785.1)):

Oh yeah.

Will McGuffey ([13:05](https://www.rev.com/transcript-editor/Edit?token=XdEE9G6MyN08fOQ4nO5Lh_Q7o20T_YSeLKmmfHv8BOCMt7cTxDsdKMF31YSZjF0cSnF6bwqNrpr-BJ1MFkRkBV60yWo&loadFrom=DocumentDeeplink&ts=785.49)):

So I get drafted and let's say I signed for $5 million, $2.5 in the first year, $2.5 in the second year. Third year, I'm back to making, let's just call it $20,000.

Josh McAlister ([13:16](https://www.rev.com/transcript-editor/Edit?token=Ct7shu_fvSb1nj6KuPU1wXq_5kI0L2o5THWLFZERTK-oFb1fLSoAJ-l0u7ZIf3H3b5f9Omp4sHQgLFcYkQqmmNFEnb8&loadFrom=DocumentDeeplink&ts=796.14)):

Almost nothing, right.

Will McGuffey ([13:17](https://www.rev.com/transcript-editor/Edit?token=SVQ4TZ-eRTZsKvMvIgA5BM9MgCgNRk0xFX1eB9_f_lN1uI6thPFavnmYUswW8u9zs_dLmEmVB5WpkSegI3cB-c2UfFY&loadFrom=DocumentDeeplink&ts=797.97)):

What is an opportunity based on those spikes, peaks and valleys of earnings that a professional baseball player has? Is there any opportunity there for me to take advantage of that?

Josh McAlister ([13:28](https://www.rev.com/transcript-editor/Edit?token=BMV8bG4WYMwYUH8VIDHhpmpcTxAG4K6ihTkJfv4BCUILAhrhi3rbOGKE_6ePlGLLnuspkYrX9xxGeO5zdqio_vEgxQs&loadFrom=DocumentDeeplink&ts=808.68)):

Yeah, I think let's just real quick, just say, "Hey, 401k, those accounts, those are all tax deferred," or I like to use the term tax delayed, meaning that you don't pay the taxes on them now, you pay them in the future when you pull the money out. That's different than a tax-free account like a Roth IRA. Well, by setting up those 401k accounts in the years that you did, that individual 401k, I mean after year two, we're talking with $122,000 of two years worth of $61K of contributions. Since you're in a low tax bracket year, you can do something called a Roth conversion. If you think about what... this is where you can lock in your investment rate of return through tax arbitrage. I'll show you.

Will McGuffey ([14:16](https://www.rev.com/transcript-editor/Edit?token=T_lusO9ownMIDJAXmnDTLaQkiaFmBXC9o7qqW_CEDuuNfFEltVUr63z3RbGQ4mnt6TDGmPZ4TwtrNLTo4mxTEmYR1TY&loadFrom=DocumentDeeplink&ts=856.41)):

It's a big word, arbitrage.

Josh McAlister ([14:17](https://www.rev.com/transcript-editor/Edit?token=4SaCw2FHHhsCjrdMTphhvIF1EHMqdanZ6XvWi95b2QDBJzE2QwS9U99Z494LWSdHQEVb9KjkFi4nbtJ43SXI-hf94Gs&loadFrom=DocumentDeeplink&ts=857.64)):

It is. It is. But you defer at 40%, that's year one of your bonus, meaning that you contributed to that account and you deferred.

Will McGuffey ([14:24](https://www.rev.com/transcript-editor/Edit?token=jDMc1O5_LYMicvYz0A_FuSQFdOvNrty6NRQ3NuIRWAcncPx9EbKZYyHt5yYTAkoDJpJzRH9yg-2luC7sVQkMg_I2gxI&loadFrom=DocumentDeeplink&ts=864.84)):

So you kept $24,000, $25,000 in my pocket.

Josh McAlister ([14:27](https://www.rev.com/transcript-editor/Edit?token=u8cySDDdqRPsZmGOoqfO0AIRzdKcuyC5RkCaMgDHREqWKsFhlhdtrh3Ha2jfYTCv1qsp3m6ktoc5KwC8Rcz3PKKWynY&loadFrom=DocumentDeeplink&ts=867.33)):

Yeah.

Will McGuffey ([14:27](https://www.rev.com/transcript-editor/Edit?token=e3HJj66yypj1iEVp1FVwxR1aRawbHaYNJwXSVRv9kEgovIAaNM1yEemlksCpKUv2VC1EFK985QI01BHUWJCR8XyMGGw&loadFrom=DocumentDeeplink&ts=867.33)):

Okay.

Josh McAlister ([14:28](https://www.rev.com/transcript-editor/Edit?token=vr8p3CYt_2B_ybGy5tCU1PhsUnpIDGqhEIkr9gNMLRii_APQpLI5w9lufo-U7Yfttyu51Kv57WIV3ES_cs2cVBKah-8&loadFrom=DocumentDeeplink&ts=868.14)):

Because you're in the highest tax bracket. Do the same thing in year two. Another $24,000, $25,000 in your pocket. In year three, you're now at the 12% marginal tax bracket. You can do a Roth conversion, convert all that money into a Roth IRA, and thus you just created...

Will McGuffey ([14:47](https://www.rev.com/transcript-editor/Edit?token=5F61vULM59hBYoG-bCj2JzGW26_OhF5q0aIpQe2GFrpCL-SuH06jKqvHr3nW6HudTjKoO8qsNiSHEjLh6ZuanE5A-FA&loadFrom=DocumentDeeplink&ts=887.04)):

But at that point, I owe money back, so I'm paying 12%, but let's say it's $14,000, but I already netted out 50. So I'm actually... because I saved that 25 each year in my pocket.

Josh McAlister ([14:57](https://www.rev.com/transcript-editor/Edit?token=iV9QB9Y1pvlgaMJjX0TKo0NSQTY8E0FMjp1BXYksD4dCbTvU1hlz8rbbnld3YkwREuvLhZouWRF7NCwl1iPhun1qrss&loadFrom=DocumentDeeplink&ts=897.9)):

You locked in-

Will McGuffey ([14:59](https://www.rev.com/transcript-editor/Edit?token=HNQQoSjOrkNw-tkpEnWI8xj6Rp-DRNMYmFeDHveVs8CGephqeI_6z9BDl9LvziU8Vdq_aCMe5Um7BgBuy4MkmR3xdZk&loadFrom=DocumentDeeplink&ts=899.46)):

$36,000.

Josh McAlister ([15:00](https://www.rev.com/transcript-editor/Edit?token=ZdkUlPBKF98yArg-wu4y5PO_ODFuPbgzjcaU928IGtivIpxAX3-Mi9liSffRTPrRh1kyQ8W4VhcZVuM9ZEehP03fMLU&loadFrom=DocumentDeeplink&ts=900.42)):

... on the marginal tax rates, 28% rate of a return.

Will McGuffey ([15:03](https://www.rev.com/transcript-editor/Edit?token=fhUthdDrfQbt8yynRs2x_4BZMTb9nIPSmwdBnooCzPSFlFXVJzh9czih5jnmpcyJ_YjLrL0xd9VULvQCjF_EEzjADwA&loadFrom=DocumentDeeplink&ts=903.18)):

Yeah. And that's free money. That's just by planning, understanding your career path, understanding the peaks and valleys that are going to happen for professional baseball player. That makes a lot of sense. Well, Josh, really, really appreciate this conversation. Is there anything lasting, one last impactful tip that you want to give, or something that these families should think about?

Josh McAlister ([15:24](https://www.rev.com/transcript-editor/Edit?token=YeAdNvDYTv45fb6pZu3Yh6K7w5qp4jFLIgsGTwiTVINOyL4G9yVRE6PIGCIPSTqMviy-1RwnuTWeOzbQ6fJ6_ERqRFQ&loadFrom=DocumentDeeplink&ts=924.09)):

Yeah, I think the last thing I would say is more on the intangible side of things. I think you have to understand that proactive planning is an ongoing process throughout the year. It doesn't just happen, "Okay, well now is the day that we're going to do tax planning." And especially as it relates to the contract negotiation, your financial team should be working in lockstep with your agent on this. This is something that we handle and work with numerous players to... If you want to have the maximum output from your bonus, it happens in communication constantly.

Will McGuffey ([15:56](https://www.rev.com/transcript-editor/Edit?token=U87AsbQMoplDHCcPmNktP2VmLvMQIYWk6QtejBPL_OsruXtmAsbpx_8QAsov6Mkf-neC9-uxi0OqpN8k9N26mB7H5-Y&loadFrom=DocumentDeeplink&ts=956.79)):

It's planning, right?

Josh McAlister ([15:57](https://www.rev.com/transcript-editor/Edit?token=IwxS4K0vvv72xTJrvizM4sQjb4I5Fuw8DYhCgIpWtzZfE0TgkRDfUHtNwSI6bcxAGleSW8jtHK5QHv0BO6rEb_wyQrk&loadFrom=DocumentDeeplink&ts=957.45)):

It's planning. It's actually planning, not checking the box and regurgitating numbers. And thank you for your time. And as always, reach out if you have any questions. Our contact information is in the show notes. Until then, stay humble, make an impact, and always be a pro.