Erik Averill ([00:00](https://www.rev.com/transcript-editor/Edit?token=T2iO0Jxf4MLhvPvk-Hn6rckrGNOs1u9hJFKoXwEhoV81ls0NiulTWao5HPLqvetvuZ72eL_TiJ5HYTlHUEpa2FiMdLE&loadFrom=DocumentDeeplink&ts=0.33)):

Hey, everyone. Welcome back to the MLB Draft Podcast. I'm your host, Erik Averill, co-founder of AWM Capital, and I am joined, once again, by my co-host, former major league pitcher and certified private wealth advisor, Travis Chick. And what we want to talk about on today's episode is the financial advice that you need. If there's one thing that we've pressed in over the previous episodes, right, is baseball's a business and money is really central to every decision that we're making. And so, we want to spend a few minutes saying, "What is the advice that we need?" So often, I think when we interact with families, one of the things that we hear right off the bat is, whoa, that's not a conversation-

Travis Chick ([00:55](https://www.rev.com/transcript-editor/Edit?token=pq3CElqPnW3CwQAtqT2PliTnRal5W-sxzt3qmZBvWG4jw51Pda9z4F2HGlj61RMbFk0oiPhilMQXhJJp-VPEPKbBuv0&loadFrom=DocumentDeeplink&ts=55.89)):

I don't have any yet.

Erik Averill ([00:56](https://www.rev.com/transcript-editor/Edit?token=rxOpUk-1zFtFCU1o4GhCKBtWg7BovR3-vSgpzKIwZp9MwKMPFBkr1teSDDr6_YmplUqr5y1taz3N14bNEKcyhM5wNZc&loadFrom=DocumentDeeplink&ts=56.46)):

Yeah, I don't have any money yet, so why should I talk to anybody about my finances? And can you really maybe share with us why that's the initial thought or even for the family that says, I don't want to put the cart before the horse, this is a conversation I probably shouldn't have until after the draft.

Travis Chick ([01:15](https://www.rev.com/transcript-editor/Edit?token=65TxMRGu0dfUxwEPSa_ji0NaGzQbeZOuBE0G-nUfQEXuu9SfzDLJJAJLq5ya_il7LwO83SUjXPWtfxDjz3w7g7kQigg&loadFrom=DocumentDeeplink&ts=75.39)):

Yeah, I mean, I think it's a natural reaction to think why should I plan for something that I don't have? But when we pull that back, it's like, well, we actually need to plan for something, there's a good probability that we will have. But in our industry, what our industry has done a really bad job of is pulling out the fact that financial advice and investments are the same thing. The reality is they're not. There's a lot that goes into true financial advice. When you're a business, you're thinking about hundreds of things that are going to impact, not just that one asset, that one investment that you're having. So when we think through financial advice, it's not really just what we're going to invest with players that we probably know aren't going to have money to invest for a long period.

([01:58](https://www.rev.com/transcript-editor/Edit?token=MIDpTylwxgMjFG9TSmHD2HXEivdzp3GdV-kmkkVVBjRxXAKjHCBBWvlLWcmaQutzwYwXJRUdBcv3eofzUJX_6TaLks8&loadFrom=DocumentDeeplink&ts=118.11)):

It's thinking through things like, how are we going to structure their contract in the most efficient way? How are we going to make sure that they're going to receive the most money after taxes? How are we going to protect their liability? And these are all things and all decisions that can start building up well before the draft.

Erik Averill ([02:14](https://www.rev.com/transcript-editor/Edit?token=ecbvhS1TO0Ky41IO-GNbktLRP7__vkjOJgUoV_Tuj-5Xp-rCtAsBh8KfQ41toeSR9zHNTxqc-WHcy5_OuNVwbMkakn8&loadFrom=DocumentDeeplink&ts=134.79)):

Yeah. One of the things that we talk about is really defining, what is success? Success is not investing your money. Success is actually about how do you maximize your net worth. And so when we go back to the thought process of you as a business, it's how do we create maximizing your profits. It's saying, for you, success is you need advice that's going to help you maximize your net worth. And the first thing that we understand, that any person will tell you, the number one destroyer of your net worth is taxes.

Travis Chick ([02:52](https://www.rev.com/transcript-editor/Edit?token=G3kDbqS5anymAoTZoXQXcFfab2G4PloVo6i3mEJfuSAuSRLnvlYJyUTZl8T0mW8Ox5R2SDIfk29nyUrOPV-w50txSIc&loadFrom=DocumentDeeplink&ts=172.05)):

That's right.

Erik Averill ([02:53](https://www.rev.com/transcript-editor/Edit?token=yzSfKOjMug3I2XLPY4WYK1TQnaOHgkMkazTceFv_BfRa8PRuXhcrTIei4IZ7KJi4IdDopb6OsZMa6DiDlqC0883FHG0&loadFrom=DocumentDeeplink&ts=173.43)):

And so this is something that you can actually do something about before the draft happens. And so maybe talk a little bit about that of really where financial advice starts with taxes and for an amateur family preparing for the draft, what does this look like?

Travis Chick ([03:13](https://www.rev.com/transcript-editor/Edit?token=FQK8IHJ3-WrgetDPGDVTubgCTJYlpAVkYSS1Fj_bkRTya9Asfleyb7FMOk6TLA9Uk6nzDxF216S1YRStACr-RhWzmos&loadFrom=DocumentDeeplink&ts=193.89)):

Yeah, I mean, I think first and foremost, it's really a matter of just understanding the impact and the contract language that's going to go into when you sign your name on the paper. There's actually some very detailed contract language that impacts your taxes and it's going to be centered around when you receive the bonus. It's going to be centered around where you get assigned. It's going to be centered around where do you live? What state are you a resident of? For me, being a resident of the state of Texas, I don't have to worry about it as much as somebody that might be a resident of the state of California. I'm not getting drafted anymore, but hypothetically, and so there's a lot of things that go into that. So preparing... One of the things with this NIL deal that's really cool is it's actually enabling some of these college kids to think of really proactively on their residency so that it prepares them for when they ultimately do get drafted, being able to be strategic about residency.

([04:05](https://www.rev.com/transcript-editor/Edit?token=uwt0N_umuX8CQmLEiT5OA5kjXOr-UxzkcJgPGJOMvCCfuba5EzQy3_cnT1_SmI9ySPVs4anrwArjSDupVFhSx5UmulE&loadFrom=DocumentDeeplink&ts=245.46)):

So taxes are one of the greatest destroyers. There's been several instances that we've had over the past couple years and working with families and agents ahead of the draft so that they are prepared. The most prepared, the ones that fail to prepare, the ones that are preparing to fail. And so we've had players that weren't the highest pick in the draft, who actually receive the most money after taxes because of being very proactive on their tax planning. This is not financial advice investments. This is being just very strategic about aligning yourself with the experts that you need to make sure that the most money ends up in your pocket.

Erik Averill ([04:39](https://www.rev.com/transcript-editor/Edit?token=Znlj-jbojjVplT4auOlQooTiqOigKd8jl0FIeArvF_8H3g44XXVpUMjER_venqbGXZbruWv0B-UreaPTuB59HMnNz4o&loadFrom=DocumentDeeplink&ts=279.63)):

And I think that's a huge point of going, what is the preparation? What we see from the best sports agents is that they're actually working in concert with individuals like us far ahead of time. So we had a situation a couple years ago where we have a high school client that is really trying to make this financial decision, should I sign professionally or should I hit campus? And so we are working with the agent to run scenarios to say, "Here's the implication from a time value of money and from taxes that if they end up on campus versus here." And that negotiation went to the very last day of eligibility to sign. And what was the sticking point? Taxes.

Travis Chick ([05:23](https://www.rev.com/transcript-editor/Edit?token=XEUF_2PwI5ApnH8cihH_KUiIpiIq9UkrQwWvVjtwmQ1dx2Ym6DoBCcajOiF3dDHs6IuJ8V4qPefOvFE8UN4hBtH0mrk&loadFrom=DocumentDeeplink&ts=323.58)):

Contract language.

Erik Averill ([05:23](https://www.rev.com/transcript-editor/Edit?token=KfyR09wdTi4eutAFWDpj2AU26tMpUeUR55TbI-Z-T3l6yYJSJYWn1S1xNDQi4rnykabb7EogzKBpvqc5aaT7szM5TIU&loadFrom=DocumentDeeplink&ts=323.94)):

It was language in the contract. And something we've seen since the recent lawsuits that minor league baseball players have been filing is, teams are starting to change the contracts. And so the best agents over the last couple of years is, truly this happens on draft day, is we're getting inbound messages from agents asking us, "Hey, what does this language mean?" One of the things that you pointed out recently is teams trying to sneak in life insurance into the contracts. And so these are financial decisions that are being made that have nothing to do with investing from the very beginning. And so when we think about financial advice, it's nothing less than investing but going back to the fact that you are going to be making the biggest financial decision of your life, whether you're going to go to college, return to college or sign a professional contract, is it's really money at the end of the day. So talk to me a little bit beyond taxes. What are some of the other unique things that athletes face?

Travis Chick ([06:29](https://www.rev.com/transcript-editor/Edit?token=KbH222CxBXrdTUoHrYQGBHPh28eVYcgEupo4zuvfsLOEfKSGHvg6Vo7GdNTgDPkvPIncyUMOGQUSKg7hdx5lyLiaX0I&loadFrom=DocumentDeeplink&ts=389.88)):

Yeah, I mean, I think with an athlete, the draft opportunity itself is obviously unique. And so we've seen this structured out a few different ways over the past few years because probably of Covid, but the timing of when they receive these payments. They're going to receive these payments in two lump sums, then they're going to receive a thousand dollars a month while they're in the minor leagues or whatever that number is. So there's always going to be this high income, low income. And then when they reach the major leagues, again, the income starts to escalate again. So that's complexity, that's tax complexity. Tax planning has to go into that. They're going to be in major league clubhouses and minor league clubhouses where there's always going to hear the next big investment deal. I mean, I can remember sitting in the clubhouse hearing about the next great bull that was going to be the bucker of all time or the next oil and gas deal.

([07:17](https://www.rev.com/transcript-editor/Edit?token=kMBpsJHKOMwey3LQUlDnPwDKrrcqdQOWzRhCYOTfEETzonxQDRmYsZDLJd1HIGGEQ9r1RsOEuswiTtUon_kyvq99EBM&loadFrom=DocumentDeeplink&ts=437.37)):

So understanding how to think through those investments from a financial lens and rather than just wanting to not having fomo. So baseball players are very unique. This isn't a matter of, "Hey, we're just going to put your money in a 60/40 portfolio and let it ride." Because the reality is the longer you play, the more likelihood you're not going to have to work, but the longer you're going to have to plan for not working.

Erik Averill ([07:41](https://www.rev.com/transcript-editor/Edit?token=PW6dgtDs7aIU02b59wqa8OHtluHZ5LbLfRxMOMsx_No527n-ufsECKH6qokK2inM8F9fUbU9FWqv-xfRN9504vK-YTY&loadFrom=DocumentDeeplink&ts=461.52)):

And I think going back to one of the things that hits me is going, you're going to have to make this big decision. Okay, do I go to campus or do I sign? And if you do sign, which historically just by the way, 99% of players that are drafted in the first 10 rounds sign. If you're drafted, you're most likely signing just from the dynamics of it. And here's the really interesting thing. Even if we step outside the athlete world, the number one reason for divorce, money. One of the biggest issues that we, I think, collectively as a country can agree on is that there is a huge lack of financial education. And so one of the things that's fascinating to us is the minute that a player signs professionally, very sadly, there's this belief that just because I have money, all of a sudden I have a skillset set on how to handle it.

([08:35](https://www.rev.com/transcript-editor/Edit?token=WGwqZ9yfpM2RWRidwO4RFGYDJVy4C7xWrClQB_uhI5T7l7Ku5l8DBsZqro_5DmQzGVEevel3AtVI0CaAsdYpHbHQeuU&loadFrom=DocumentDeeplink&ts=515.82)):

And this is why we see really negative outcomes happen so quickly, is it's not that you, as a player, aren't smart enough to do this. You are absolutely smart enough, and we would argue you actually have a lot of acumen because you live inside of an investment world called baseball. You just don't use that language. And so one of the most important things that an amateur family needs to start before the draft is the education around money. And so you're really looking for a financial team that understands it's not just about investments, it's about maximizing my net worth. Taxes are the number one thing we need to start to educate on, but it's really building skillsets for these young individuals that now, all of a sudden, they're going to hit pro ball, you're away from home for eight months and there's a lot of complexity.

([09:24](https://www.rev.com/transcript-editor/Edit?token=pu4D37UEeTiexmnC6nqruFThOVKzbYnOTh5aocHY__2_7esgxXLtz5R2AlfXch_DTMr17bn-eX4dsknJr_RQtLaradg&loadFrom=DocumentDeeplink&ts=564.84)):

You're now in the highest tax bracket. You're paying taxes in every state in which you play. You now are unlike your friends in the sense that your friends have no money at all so they go get Geico insurance. You now have millions of dollars to protect. Maybe talk a little bit about just the real implications of the type of money that these athletes are walking into.

Travis Chick ([09:46](https://www.rev.com/transcript-editor/Edit?token=bBOGaywVtspWN2nODzn4VLVjbpvT6NtThZMx7nj1_G2jWhSLBXrqYTQiRI4jd8mkB9MUh7JvhE9Bm_gWXLXVpGoI3nA&loadFrom=DocumentDeeplink&ts=586.44)):

Well, I think it's important to bring into context just how different you are before you start thinking about what are the complexities that go into it. The reality is. In our country, and we're in the wealthiest country in the world, but the reality is only about 4% of the United States population has a net worth of about a million bucks. And so the minute most of these players sign that are first rounders, even after taxes, they're probably in that top 4%. And so that's a very unique qualifier of where you are net worth wise, but then you start building it out. Just to bring it into further context, of that million of those net worth, only about 0.5% of the United States population has a net worth of 5 million bucks. Isn't that crazy?

Erik Averill ([10:30](https://www.rev.com/transcript-editor/Edit?token=WEYXE2mC2xbsHPoYBnyrYiyzvgIKaaCvaXWK50GvVK-4qDCibDQk3XDgOr4Q9CYYUsX0tAotl9AbcAL4ZABEbGKD3pE&loadFrom=DocumentDeeplink&ts=630.12)):

It's staggering. And the reason it's staggering is if you turn on the TV, I mean, there is financial news everywhere.

Travis Chick ([10:38](https://www.rev.com/transcript-editor/Edit?token=Swmy_nLtF5ZnwDiFj53NikNUcwPr_XOZEbgwVZ3_Cij_QxCT45W3JM2bc0Sf6IfWha3X2sNHxKYmIvbfpYw8N0Yn0SI&loadFrom=DocumentDeeplink&ts=638.16)):

But who's it for?

Erik Averill ([10:39](https://www.rev.com/transcript-editor/Edit?token=LAA3ZYp0xcbRoxVJWt1r2sowXgox6a4lxMePWT1wFMa1BBOmOOObLpSB8ZjXJR0OQVFO0UrJfxm92V8lzPx99ZG3RiA&loadFrom=DocumentDeeplink&ts=639.21)):

That's the huge point. Going back to the analogies, we've talked on previous podcasts, as an athlete we know this. It's like our strength and conditioning is, there's really nice facilities like Lifetime Fitness if you're in Arizona or you go to these big box gyms, they have the same certifications as Eric Cressey. There's a big difference between Eric Cressey in the general population, or if you have to have elbow surgery, there's a big difference between James Andrews or Neal ElAttrache and the local orthopedic surgeon. Both surgeons.

Travis Chick ([11:13](https://www.rev.com/transcript-editor/Edit?token=VDeQDpG2GDktJU7nXoDvvW1IcD88Kh4dQeZZ5fJrYDElFg7QRWAJ_3YeJKwPq6QwB6MdPmJHc6_86ntxoD_elKj30ts&loadFrom=DocumentDeeplink&ts=673.53)):

Probably great at what they do.

Erik Averill ([11:15](https://www.rev.com/transcript-editor/Edit?token=Yqu1qnrywD1ZpxYp5UJ7jaNE7v9ie-Ty_updNpCJDfwgXG-bDwKo8bpSI4kmJSkW65lMyDmxt0QF1Bsi_cz05IPBkB0&loadFrom=DocumentDeeplink&ts=675.09)):

But the cost is so high if there's a mistake.

Travis Chick ([11:17](https://www.rev.com/transcript-editor/Edit?token=bWDWW_OmxBCnQP1KZe5J47EwM64ZSkJ_fjgsi4V0CbMBY6ENdJmjC_Y4I7Dk3MTn7CqHmEimsizAXQBJptd51fUkxLE&loadFrom=DocumentDeeplink&ts=677.61)):

Absolutely.

Erik Averill ([11:18](https://www.rev.com/transcript-editor/Edit?token=vZ2Wh9ctWKwlO8il-0va0fSxQ3t4b_6yFnPuaurJC7UWFa3XLrINqfhNE-ATrnuh5FgBi2zzMeAsDlxjVjd8LU-nJTw&loadFrom=DocumentDeeplink&ts=678.18)):

And it's the same thing when it comes to your money as a professional athlete is the cost of having the wrong advice is massive. And we would argue probably unrecoverable because you have such a limited amount of time that you're earning this type of money. And so it's really important when we start to look at the earning potential of a professional athlete that if you're a first round draft pick and you actually make it to the big leagues, there's about a 75% chance you're going to make 10 million bucks. It's a lot of money. There's also about a 38% chance that you're going to make 50 million or more. Now, to put that into context, in the United States, 0.05% of Americans have a net worth higher than 25 million. And the main takeaway on that is 99.5% of the advice, or 99.95% of the advice that you hear, is not towards you if you're a professional athlete.

([12:22](https://www.rev.com/transcript-editor/Edit?token=sC_72xTAhpqQwiKBk9qhyNVLg9-XUAA38S1e7eSiGnaZ8xRhdPuNrKFLH3fmkkNq-2THwcoNhe1zXxynuli6sxs-LWc&loadFrom=DocumentDeeplink&ts=742.74)):

And so this goes back to one of our very early episodes. It's like anything else. Is you never want somebody learning on you. What gives you the confidence is that you put a team in place that has the experience and the expertise, and has traveled this path because that's really the value that a financial team provides is removing the financial anxiety and unknown from your life so that you can have full confidence to focus on what's very difficult, becoming the best major league baseball player at any time.

Travis Chick ([12:54](https://www.rev.com/transcript-editor/Edit?token=O3mrP0w2-n6ZK6JLf31C5HKvii5NFRbuyUqzM6CXMy8WrQgJE6Lw9hLoUFri7lG6cQNAcFdLAZrnFqtAHz7ymT1jSJ0&loadFrom=DocumentDeeplink&ts=774.6)):

Absolutely, and I think too, money always has a way of being emotional. And so being able to pull those layers back and say, okay, this is a business check, right? Check that box. Okay, this is a financial decision, I'm checking the box. Who are the most qualified people in my baseball specific industry to make sure that I'm prepared to handle the wealth that I'm about to receive.

Erik Averill ([13:17](https://www.rev.com/transcript-editor/Edit?token=lDR6B_5inQHiVVoG1MU0sKa9NKpWMBeSx6gI4ejP44Je9OScmryLhphv4MxJ3fa_6vf8lmryuhMX0-Hb0u9E22sBnxI&loadFrom=DocumentDeeplink&ts=797.43)):

And we've covered a lot of information in this podcast, and we didn't go necessarily deep on a lot of these specifics. And we are going to have future episodes where we're going to break down exactly how your signing bonus is taxed, and we're going to share with you the same strategies that we are able to help our players establish residency. Make sure that the recoupment clause was pulled out of their contract to really maximize the amount of money that hits their pocket. We're going to have another episode that's going to walk you through exactly how to establish residency, the dos and the don'ts, to make sure that you can maximize the amount of money in your pocket. Then we'll break down exactly who should be on your financial team, how do you figure out who are experts? What's the experience you're looking for? We're going to cover all of that in full detail. And so hopefully this episode has been helpful for you. And until next time, stay humble, make an impact, and always be a pro.