Erik Averill:

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 Travis, over the last few episodes, I think we've drilled home that this is a financial decision, not only the draft, but really for the rest of your professional career is, you are going to be faced with many decisions that are going to impact your net worth and the long term success of your family. And if you're one of the few players that's the best in the world, multiple generations.

And so really what I want to dive in today is to talk about the financial team. Who are the players that you need to put into place to make sure that you have a successful outcome? And so, one of the theoretical questions I thought would be a great exercise is to ask you, if you're thinking about for your family, if you're thinking about for you and Shelby and for the Chick legacy is, if money was no option and you were not stuck into choosing maybe an existing platform, philosophically, what would be important to you in constructing the team that you would take your advice from?

Travis Chick:

Yeah, I mean, I think there's a few things. First and foremost, I would really want to make sure that they're independent, that they're focused solely on my benefit, my family's benefit, my future family, my legacy's benefit. I don't want them thinking about how that they're profits are going to impact owners and things like that. I want to make sure that they're really focused on me and the legacy that we've created. And I think more than that though, it really drives into, when I'm thinking about it, for me, I want to make sure that it's actually a product and a solution that's customized for me. It's not a cookie cutter solution that's customized for everybody on the planet. It is really a solution specific to me.

And then the last thing that I think about is, I want to make sure that all of the pieces, all the cogs of the wheel are really working together. So if I'm in the highest tax bracket, for example, I want to make sure that my tax team and my investment team and my estate planning team and all of these pieces of the puzzle, are really just working together. So they're really integrated. So I want to make sure that I've got something that's individualized, I want to make sure that I've got something integrated, and again, I want to make sure that it's an independent to me and my family.

Erik Averill:

Yeah, that's super helpful. Can you explain a little bit, the word independent, right? If I'm a family and I'm sitting here listening this podcast, what do you mean by independence? You made this comment that you would want to make sure that the advice you were receiving was what was truly best for your family. Isn't that what exists anytime you hire a financial advisor?

Travis Chick:

It should be, but unfortunately it's just not the case. Independent advice comes from this term in our industry called registered independent advisors. And so there's really two types of advisory services in our industry. You have the broker dealer model, which is all the names on Wall Street that you see advertised on all of the outfield fences and all those things. And then you have this subset of advisors that are really catered towards making sure that they are fiduciaries, which means that they're legally required to act in your best interest at all times, and that they're not beholden to shareholders' profits that are publicly traded on the stock market.

Erik Averill:

Yeah, it's interesting that comment that you make of who is their incentive to who are they ultimately accountable to, the shareholders on Wall Street. So I think about this as an investor. When we deploy capital, our measure of success is we want to maximize our return. So if we're investing into a publicly traded company, we want to make sure that the management of that company is actually doing things to maximize profits. And as investor, that's okay. But if you're on the other end of that stick and you're the client, what you don't want to hear is that the company that you're hiring to help provide individualized, customized financial advice that you want them to move heaven and earth to provide what's necessary for you to have success. What you don't want to hear is, you know what, we're actually going to limit the advice and the products and solutions that we're going to provide you.

Because we're thinking about our margins, we're thinking about maximizing our shareholder value. But I think that's the reality of what we see happen. It's the same relationship that a player has with the team. When we go back to the lockout of 2021, is that players are employees of theirs teams. And yes, there is truth, that that front office wants players to be successful, they want them to produce out on the field, but at the end of the day, when it became between the players and the owner's share of the profits, the team's fiduciary duty is always to the owner of the team.

Travis Chick:

Absolutely.

Erik Averill:

So the front office, the scouts, they lock out the players. Why? Because the strength coach, the sports psychologist, the scouting director, the GM, they're all employees of a company who has a fiduciary duty to the owner.

Travis Chick:

Correct.

Erik Averill:

Not to the players. And so I think for a family, if you're listening to this, is whoever you put in place, the first thing structurally you should ask the question, not who's the individual I'm in business with, but who is the business that I'm hiring? So am I hiring X, Y, Z Wall Street firm? And to really understand what is that relationship. Is there a conflict, is there not? The second thing you brought up, that I thought was really fascinating, is going, you know, you want your pieces to be together, you want the integration. Can you talk a little bit about having one net worth, one effective tax rate, and traditionally, why do we see the world fragmented and why is that not the right approach?

Travis Chick:

Well, I think the reason that we see it fragmented, for the most part, is just going back to what we mentioned on previous episodes. The reality is, most of the financial advice in the United States is actually not catered towards the people of the highest net worth. I mean, the reality is about 95% of the population has a net worth under a million dollars, right? We look at all the tax returns filed, and only about 1% of the tax returns filed in the United States actually filed with income at the top tax bracket. So the reason that it's fragmented in our industry is just because statistics are real, numbers are real.

But if I'm focusing on building it for the highest tax bracket because that's what I want to be in and that's what major league baseball players are. All of my investments are going to be viewed through how are they going to be impacted by taxes? All of my generational planning is going to be viewed through how is it going to be impacted by taxes, estate taxes, how I'm going to efficiently transfer my wealth from my kids to my grandkids to their grandkids to make sure that taxes aren't eroding what that legacy that I'm trying to create. So when I think about it from a family perspective, I have this net worth, but I have one net worth and I want all of the pieces of that net worth to be fully integrated and working together. That's efficiency.

Erik Averill:

Yeah, and I think of really two analogies on that. Going back to our health is we're one human right, right?

Travis Chick:

We have one body.

Erik Averill:

We have one body. And so it's not that we only focus on nutrition or we only focus on strength and conditioning, or we only focus on recovery, or we only focus on our biomechanics, is they're all actually integrated. And so the way in which I choose to move off of the mound or in the box is impacted, right, by the way that my strength and conditioning coach is programming my stuff, which is impacted neurologically based off the amount of sleep that I go in. So really having someone come in and be the architect of your health makes a lot of sense. Or using that analogy on the real estate side is, I think about approaching your financial advice very much if you were constructing a home, is traditionally, unfortunately in our industry, what we see happen is as most people start with investments, which is like starting with what pieces of furniture are you going to fill your house with?

They don't start with meeting with the architect to say, what are the priorities? What are we trying to achieve? And how do we make sure that it all flows together? Because, even though things can feel independent, does my CPA really impact my investments on a daily basis or does it impact payroll of communicating with the team or major league baseball's indivi... Or major league baseball's 401k or in the minor leagues we'll talk about half the teams have 401ks for draft kids and how their bonus is structured that there are things that feel like on a daily basis they don't interact, but they do.

Travis Chick:

Right.

Erik Averill:

And it's a drastic impact.

Travis Chick:

It should.

Erik Averill:

And the last thing, talk a little bit about individualization and customization. You had talked about of why that's important, and really when we see out there, there's a big difference where most firms have hundreds of thousands, if not millions of clients.

Travis Chick:

And so in those types of firms, and I go back to taxes because taxes are one of those, again, the greatest destroyer of wealth, if I'm thinking from the lens of in our industry, you have to take this opening test. And one of the things that they talk about is, an easy way to determine your asset allocation is to take your age and subtract one hundred twenty. And so that's that cookie cutter approach where if I'm almost forty years old to keep math simple, I'm not there yet, but almost, that would say that because of my age, I can be more aggressive. So 80% of the investments that I have could be allocated towards equity. Baseball players are a lot different. They're not going to earn money for the next 30 years, like I could potentially. They're going to earn money in this finite window, right? And so they also, the things that make them really complex, obviously they're, aside from their taxes, is when they're going to earn that income and how they need to plan to earn that income.

Because when I think about planning to earn this income, I'm thinking about this draft kid, this eighteen or twenty-one year old draft kid who's probably going to spend three to four, maybe five years in the minor leagues. And they have to use this bonus to prepare them to be major league baseball players. So there's this window of opportunity from a tax planning, from a nutrition planning, a skillset plan, all these things that are going to come together to make sure that when they hit the major leaguers, the major leagues, they are actually prepared to do So.

Erik Averill:

Yeah, it's really helpful, I think just hearing philosophically, of an independent company that's completely integrated and can provide an individualized solution is so important. And what that's actually called that we see today is something called a family office. It was really leading the witness with the question of if money wasn't an object. And that's really the question, is not looking to maybe what your teammate has done or who your neighbor's using, or even who the current family advisor is. It's actually elevating, going the wealthiest people in the world, you're Mark Zuckerberg's, your Jeff Bezos's of the world is, how have they been successful and they create their own family office. They understand that they are running a multi-million dollar business called, really the X, Y, Z family legacy business. In the same way that they run their companies, they're going to hire the best executives in each area to make sure that they have the success.

Or what we would say is take the Los Angeles Dodgers over the years, they constructed a lineup that said, hey, we know that we need to win baseball games. We're literally going to hire an all-star at all nine positions. And that's the way you need to view your wealth is, so is when we start to think about what is your family office look like and what are the required positions you have to have on the team and that if you are missing any of these, you will fail, right? You will not maximize the opportunity. And so as we start to bring to light here, is there are really five players that are requirements to be on your integrated team, all within the same company. And so walk us through who are a few of these players and why are they so important?

Travis Chick:

Yeah, so I first start thinking about the type of player that I'm going to ultimately become if I'm envisioning myself being a long-term major leaguer. From that point I start thinking, well, if that's the case, my net worth is probably going to be north of that five million. I want to make sure that I've got somebody who is industry recognized as an expert in dealing with the financial structure of somebody that's got a net worth of more than five million. And in our industry, that's called a certified private wealth advisor. The other thing that I want to make sure of, is that they at least have the table stakes of being a certified financial planner. In our industry there's about three hundred eight ish thousand financial advisors loosely used, but there's about eighty five thousand certified financial planners. So that's really the table stakes, that if they're at least not a certified financial planner, I really probably shouldn't be letting them through the door.

And then the thing that I talked about quite a bit earlier on is just taxes. So I want to make sure that I have a certified public account, a CPA, that actually has experience in multi-state taxation, thinking through how does our retirement impact from the major league pension, the major league 401k. I want to make sure that they've got that experience because I know that they've got the experience working with people at the top tax bracket. The other thing I think of is, I want to make sure I have my chief analytics officer. If I'm a baseball player, I've got my entire analytics department making sure that my swing speed matches my exit velocity, my launch angle, all that stuff.

In our industry, there's what's called a chartered financial analyst. And it is probably the hardest designation in our industry to get. I can go into all the details of why, but it's the real deal. And really the last thing, the last piece of that puzzle, I want to make sure that I've got an attorney, in house, that's actually got experience looking at contracts, contract language. We know how important contract language in a baseball contract can be. But then too, I think through, I want to make sure that I've got an attorney that's got experience with overseeing estate plans, overseeing private real estate deals, overseeing all of these transactions that I'm going to experience as somebody that's in the highest net worth.

Erik Averill:

And that was super helpful is to go, really, you walking through those five individuals, your CPWA, your CFP, your CPA, your CFA, and then your attorney, is really the all-star team that is required to maximize your net worth. And so with the complexity that you as an athlete are walking into is, not only do you want to hire somebody in those positions, you want to hire the best of the best and you want to hire somebody who has the expertise and the experience that says, you know what, I've done this for people like you for a very long time to really make sure that A, they're not learning on you, but you can maximize the opportunity that you have.

And so obviously, hopefully this episode has been helpful, but we can't go down the rabbit hole on all of these. There's, we could tape episodes on each specific individual, but thankfully we've written a book on this. If you already don't have a copy of it, make sure you reach out to us. We'll get you a copy of the book called Paid, that goes into a lot more detail of the selecting the financial team that you need. And so hopefully this has been helpful and until next time, stay humble, make an impact, and always be a pro.