Will McGuffey ([00:10](https://www.rev.com/transcript-editor/Edit?token=mbozTF6YP9mraVcCCqulyUpXBowo8YoWCgsY-ZEus5H4T-wyoJVZan9rNHIl91MQb0HokXAbdxznGU2ZdKVf5HyNrr8&loadFrom=DocumentDeeplink&ts=10.98)):

Welcome back everybody to another episode of our MLB Draft Podcast. I'm Will McGuffey, I'm an Attorney and Certified Financial Planner. I'm here with my co-host, Josh McAlister, who's a CPA and a Certified Financial Planner here at AWM Capital. Welcome to the show, Josh.

Josh McAlister ([00:24](https://www.rev.com/transcript-editor/Edit?token=aqt_ApCCWVCzOpRCJH_-IjGZbhPM5ILvgG6PEibCCQl23IYUPe5JhXXCFqB9QWE8YEsmlk8RqjvmI-TRLu9-LYPYbhA&loadFrom=DocumentDeeplink&ts=24.36)):

Thanks for having us. Our goal today is to discuss really what this decision is all about, and help you understand and give you a roadmap that this decision is about money.

Will McGuffey ([00:34](https://www.rev.com/transcript-editor/Edit?token=iqu__COVGdVWUBTFKK3YA530A7VDPIvAISfLJsbOGL5X9PaFzgpaez9b9AIKZa6N9xlG_Aw90s3hb26ODBXoj1YUrAA&loadFrom=DocumentDeeplink&ts=34.02)):

When we talk about professional baseball, Major League Baseball, it's an over $10 billion industry, and when we're talking about the draft here for clubs, the decision on whether to draft a player or not, it boils down to money. What they value as a player. They're looking at you as an expected return on their balance sheet at some point as a Major League Baseball player. So, as an athlete, shouldn't you be looking at this in the same manner as, hey, this is a business decision, this is a financial decision?

Josh McAlister ([01:03](https://www.rev.com/transcript-editor/Edit?token=LzjDRppxgSI5xBjC_EnXtmT4AaUZPU6ZOctB6Whc0nOrJ5SkxLLVeoYmrfOoMbZx15eWul4tTrUcKi2ZPVN8VnM1kQk&loadFrom=DocumentDeeplink&ts=63.27)):

Yeah. Well, I think it's really important to note, and it's been talked about in all circles, that this is a business, this isn't personal. I think it's funny, we ask our clients and other people in the industry, what is the chief goal of each MLB team? The resounding answer that everybody thinks is to win a World Series, which quite honestly couldn't be further from the truth. The goal is to make money. These business owners want to make money, and if they win a World Series along the way, great. Well, translate that to your son entering into this draft, this decision is about money.

Will McGuffey ([01:41](https://www.rev.com/transcript-editor/Edit?token=VUBQBqAmMP18ybrQNYEUbRLByi12Cy0p2hPIbfF2-4q2kEMNwSyJ-DZVnqbDggvlzoiPGS3fB9MSusgtRhHTcDtEho4&loadFrom=DocumentDeeplink&ts=101.04)):

When we talk to families, you often hear, "Hey, this decision isn't all about money." What are some common statements that families make in regard to that?

Josh McAlister ([01:48](https://www.rev.com/transcript-editor/Edit?token=YR_ityP9kOTmBXFPIj_4BLA9nSNlrgxBKwC1cDml0xnc-qvKsIPrtqt8LoPw8rf-KA8WHXI2cPNJXq5ic1F-tHmXSmM&loadFrom=DocumentDeeplink&ts=108.63)):

Yeah. I think families, there's a couple reasons why they make these statements. I think a lot of it deals with not wanting to get overwhelmed with it, because money is, truly is, overwhelming, and so commonly families will say, "Well, we'll talk about that when the money comes." Like, we're not going to do anything right now until the money shows up. That's FY bad deal. Another thing they'll say is like, "Well, we're not going to get the cart in front of the horse." Well, again, same thing. You're limiting yourself and your scope of your business if you treat it as such.

Will McGuffey ([02:22](https://www.rev.com/transcript-editor/Edit?token=aCdvH3UklhfZny-JJpGLIc12wP_Zl5zU21rouiGejyHfdsv2Ruc7YBs59L5tB3R2xdJXtkmokVMULFTlxumR4pHdIf8&loadFrom=DocumentDeeplink&ts=142.02)):

When we talk about, hey, this isn't a financial decision, this decision is about money, what are some of the topics? What are some of the questions that surround that?

Josh McAlister ([02:29](https://www.rev.com/transcript-editor/Edit?token=_b03FNFJhey5wWX2NlMSCmOasaakicYDI5qhfgSuvH9ZPR2pfSv6sE584-21F8Y4sUV1A6r_FnHox2UVoScd3um1wIQ&loadFrom=DocumentDeeplink&ts=149.43)):

Yeah. I think, just who are the players also in the world? I'll be brief, there's other episodes that talk about this. But your agent is primarily doing two things for you. One is grossing you the most amount of money, and trying to find an organization with a pathway to get to the show as quickly as possible. The question you should be asking is, what is my net bonus? Because that's ultimately what you can make decisions on, what you actually care about. What car can I buy? What house? How long can I save for? What can I spend? All that is predicated on net bonus, not gross.

Will McGuffey ([03:07](https://www.rev.com/transcript-editor/Edit?token=WEgQHxScyQRQHPffbFbZyx0fh7cG5BymhII2BCbyiq2Cq9k0LfQDq8sbdBVtwql7ilEEAMpp2mb1GRCjUnFuVum6bCw&loadFrom=DocumentDeeplink&ts=187.17)):

When you say the word net bonus, can you break that down a little bit more? When I'm a drafted player and I say, "Hey, I've got a signing bonus of $4 million," what is my net bonus and how do I actually get to that calculation? What does that actually mean?

Josh McAlister ([03:20](https://www.rev.com/transcript-editor/Edit?token=RgdRsS4A5JOBZw0wkLvMd6F8Yl-a9LasUQR9cR6aOCpv7PLPCbOgNrm-gWE0hqnNOs4-wztxroFLIwN7fIcIPzaLOj4&loadFrom=DocumentDeeplink&ts=200.34)):

Yeah. To answer your question, that's a great question, Will, there's a story, I think, that can really hit that home. We worked with, in 2021, a top 10 overall pick, who didn't have the gross amount of money in his draft bonus-

Will McGuffey ([03:36](https://www.rev.com/transcript-editor/Edit?token=M46kV5FmKIzV59GV6VCw3AQNFQ8TE--siBXJsoAJ8NSICc4FETR5eaYh-AFre0r5FtjCTAYUTW2KvHE9zqDbuyibt_0&loadFrom=DocumentDeeplink&ts=216.15)):

But who didn't have the biggest amount.

Josh McAlister ([03:36](https://www.rev.com/transcript-editor/Edit?token=GWTRyv8EANqYFnCA9XdSNI3y2iLMC61s5HSFWNXrDVZjuvUWzYIpBKrPlIQvk96N9JasBtSDGgmCoEZ0p-YpESYgfeg&loadFrom=DocumentDeeplink&ts=216.93)):

Didn't have the biggest amount. What everybody sees and what you can Google. But through us working with his agent, with the family, multiple months in advance of the draft, we're talking in March, in April and May, talking through different scenarios, dealing with the psychological issues of, this is a high school kid, should he go to college or not? Ultimately, we were able to help the agent structure the contract for him to be the highest net earner in that draft class, which is amounted about 800 grand of state taxes, completely avoided. Made him the highest net earner in that draft class.

Will McGuffey ([04:13](https://www.rev.com/transcript-editor/Edit?token=pd33_cClgwkhiyTyEVTzyaPqEJtuxH3boUAAscWHe1ozusruJ1npUeK0yml5gp0ngcEoKErXuwYl8N-U9_-5MBw_FqQ&loadFrom=DocumentDeeplink&ts=253.77)):

So, basically, even though he was $1.7 million less in the highest gross signing bonus, he actually put more money in his pocket after taxes.

Josh McAlister ([04:21](https://www.rev.com/transcript-editor/Edit?token=_LMl4ff8HQy7P_biwYycaq0JM7S8RZaYHIQMHVLtSQdlE8pUt7YkQ18apUS8yemHeCMzSxHGkOCMGrgpPRNzCl2_cKo&loadFrom=DocumentDeeplink&ts=261.99)):

Yes. Said differently, he actually has the most amount of purchasing power in that draft class.

Will McGuffey ([04:27](https://www.rev.com/transcript-editor/Edit?token=IKa62b519QAia6s2ISWNroh3r8A-yObJJ_8P9jbKZd4iQdE1YRZK9tRQpkoPpqbmYoS9P5upMJ87EkXDOn8jw9zogk4&loadFrom=DocumentDeeplink&ts=267.72)):

We talk about a net bonus and that being important, and I think a lot of times this is where families start the conversation and stop the conversation. It's like, hey, what's my signing bonus going to be? But when we talk about financial advice, it's not just about a signing bonus. It's not just about investments. What are some other questions that we should be asking that are financial advice, that break this down to say, hey, this is about money, this decision is about money? What are some things that we should look at?

Josh McAlister ([04:59](https://www.rev.com/transcript-editor/Edit?token=Rp-pR_K-8YzlQf26wBP3Z8cDypHjvuD8l0MGhYNJM0S9Gz5py7OjQfi9SvZYCRVUwR2bTiNKhYK9PdDxaDGyTJ1yqF0&loadFrom=DocumentDeeplink&ts=299.25)):

I'll answer your question in twofold, Will. The signing bonus is the tip of the iceberg, as it relates to your career. It's probably well known, 10% of the iceberg you can see, 90% is below. 90% of a player's career and earnings happen after the bonus hits, that is ultimately what's available to you, and so how do you maximize that bonus? For one, your ability to get to the show as quickly and efficiently as possible, and then also how do you maximize the current bonus? So, one, it's minimizing taxes. It's actually being able to proactively tax plan on the top of the iceberg, 10% signing bonus. Then investing in yourself. Allowing that bonus to be a blessing. It's just a stark reality that is unfortunate to a lot, the game's not fair to everybody who gets drafted. If you have 25K and a signing bonus, that's not going to let you invest in the best performance training, or nutrition, or recovery systems. You get too as a high bonus player, you just do.

Will McGuffey ([06:06](https://www.rev.com/transcript-editor/Edit?token=ELKpNhxD5m8T0g5YFG4QgXXe0DrHSx_HHYhq0dJAR-IGGuZ-H9Ubh4E35TZ3-6T2mHgQPHgus_65eQQWSXFk60cAo9I&loadFrom=DocumentDeeplink&ts=366.27)):

Yeah. What about as far as, we talk about starting your career earlier rather than later, I mean, that's a financial decision? That's about money. Can you talk a little bit about the impacts as far as what it means to get to the Major Leagues at a younger age, what it means from an earning capacity to actually start your professional career and be a Major League Baseball player at 22 instead of at 25?

Josh McAlister ([06:29](https://www.rev.com/transcript-editor/Edit?token=7HI8iU_Z1p4-Hlu8L4yAFpXsfgs5nRaGfcsjCKlLRCfA5jpl-NIxzwzCDXW-GLRbHCdHSth7jz_8Ot9XQk1NXiKqPbg&loadFrom=DocumentDeeplink&ts=389.1)):

This is both a tangible and intangible answer. Each family situation is your family situation, but here's the facts, and from a numerical standpoint, the tangible side of things. It helps to know what the earnings are going to be once you get to the Major Leagues, to answer this question. So, your MLB call up year, you're going to be making League minimum, which right now is $700,000, and that is going to be your salary for the first three years of your Major League career. By then, in year four, you move into arbitration where you submit a number to the team, team submits a number to you. You guys agree upon mutually what your salary should be for years four, five, and six.

([07:12](https://www.rev.com/transcript-editor/Edit?token=T82TtS7qpvzs2m2FGtEYQXWOQqPiRL3MPs3FXxv5bv-4V5m0Ec-xP24pY20qeYWhxaiq-YNF1PN4RcNNp-NNj2hzfrA&loadFrom=DocumentDeeplink&ts=432.66)):

The majority of the free agent contracts, not extensions, but free agent contracts that you see on SportsCenter, happen in year seven of a Major League player's career. That doesn't include the three to five years that you spent in the Minor Leagues. So, if you think about if you get to the Major Leagues at age 22, out of high school, four years in the Minor Leagues, versus 25, out of college, what that really equates to is, I'm hitting free agency at 28, which the teams have valued as the prime earning years and prime production years from you, from a baseball output standpoint. Versus 31, which teams would then start to say, you're starting to decline. Your best years are behind you.

Will McGuffey ([07:56](https://www.rev.com/transcript-editor/Edit?token=gQCq18mZUVKyX9ThZeIUwf1xSViyb42MzLgzDYTOH1uf8cgho8qOScEUsPb3H5eHFvJR-RKsphqqX_6hm2y1KtbPHVE&loadFrom=DocumentDeeplink&ts=476.37)):

By no means we're not saying, you should sign out of high school because of this, but this goes back to this is part of the calculus to understand that this decision is about money. These decisions need to be broken down and understood to truly understand the decision you're making on whether to attend college, or go back to college. Or to start your professional baseball career now. I think the other thing that, what we've seen teams do recently, is we look back, hitting on some statistics. You look at the average Major League debut, of age of Major League Baseball players in the last 20 years, it's gone from 24 and a half, to I think it's 25.6, something like that.

Josh McAlister ([08:33](https://www.rev.com/transcript-editor/Edit?token=YR8MJwrBOpPvFi0g42og040XZ7NfaE8BlXafZbKwTksWgI19hWXIEFpBSufbXL8z9zYVFKgngZGLc4Go0bbxQO8IJN0&loadFrom=DocumentDeeplink&ts=513.57)):

I wonder why.

Will McGuffey ([08:34](https://www.rev.com/transcript-editor/Edit?token=8icS88hjf5PaeDiim_7qYUhxvMKfyvL82cDJzkuZaF5araNr1EgLGwKik54rO1YFkeyvB7ibKla5dj0dNmDjAWtuhJc&loadFrom=DocumentDeeplink&ts=514.62)):

Yeah. It's gone up, and then you start to look at also... It's about money. You start to look at the age of a Major League roster, and the position players... There was a stat that came out and it said something like, 20 years ago 40% of the players, who were position players, were over 30 years old. Now that's less than 30%. You look at the average Major League service time, and that service time is the amount of time you've spent in the Major Leagues, it's decreased from almost five years as the average service time on a Major League roster, to now the team's about 3.75. It all goes back to, hey, this is dollars. The teams are trying to make money. So, the point in this is, your decision should also be based on money because you want to get every dollar you can.

Josh McAlister ([09:19](https://www.rev.com/transcript-editor/Edit?token=5E8XpUwUkd6STq-OI_YXs3SIKuWpvVQf9uchW-AYak25jfUEoJ9IJZL9V0k3RWl76t1L-HHMe-gGEVMutdb3V8X5Kxs&loadFrom=DocumentDeeplink&ts=559.71)):

Yes. Your point, the statement right at the end, Will, was the most important. They're going to treat you like a business. The cashflow that I just walked through for your earning cycle in the Major Leagues, it makes complete sense if in year five my value is $5 million, so to speak. But I can find somebody who has the same value as me, same baseball production and output as somebody who's in year two, earning 700K. It's a business decision to part ways with the $5 million salary and go for the 700K salary. You have to treat your career like a business, to be able to invest in yourself, to give you the maximum amount of dollars on the outset.

([10:03](https://www.rev.com/transcript-editor/Edit?token=SOX7lFjd2zHJFC44QBFLCcSBnjSUZxw2dXxpsoy8pDz1vyNNL797bY3FxRspzvksw7sPjBcplXYYYTCi4Lv2DJuJZMs&loadFrom=DocumentDeeplink&ts=603.75)):

Let me just say one thing real quick on why you do that. Because money is a tool to be taken care of what's important to you. Getting the most amount of money is not just greed or the socially acceptable thing to do. It's more or less that being able to fund what's important to your life, whether it's charitably, your family, your family's legacy, it matters. You have a short earnings window that you have to capitalize on.

Will McGuffey ([10:29](https://www.rev.com/transcript-editor/Edit?token=9-dmnIZyvC07pJ9-u5tpo8TI-wxHlqgziXTLiT0px0VRpBSwR1d5t5NttRAc-sKQU8E6D66IUB3RuNMWvhwHzOBO79w&loadFrom=DocumentDeeplink&ts=629.46)):

I think to bring this point home, when we say this decision is about money. When it comes down to it, and look, we've all worked with families here on the financial side. I did it for over 10 years as an agent, and advisor. Guess what the one question that every team's going to ask, the one question they all want to know.

Josh McAlister ([10:48](https://www.rev.com/transcript-editor/Edit?token=KC38sd2Yz_jYOmD2csGSTBN3z8r6rseinhfZqMtKVwayrXM3C6m5PVcqrOih-hwBVy0jAb1OWsF0Ouy5izAYMmexNnY&loadFrom=DocumentDeeplink&ts=648.18)):

What's that, Will?

Will McGuffey ([10:50](https://www.rev.com/transcript-editor/Edit?token=oLyTLmARH1Xiex5cZp9AC79LlKuIh0LL-0i1K0lWsPpxK0mkj4IWVwW1aQGqDqzGIZ4kdBvnahg7er9IGTxrr4tmYIg&loadFrom=DocumentDeeplink&ts=650.1)):

How much will you sign for? What is your number?

Josh McAlister ([10:52](https://www.rev.com/transcript-editor/Edit?token=QysVefryp0T3ESTrVIl2mVQhvKbFoKzOQF1ijvJ8UrfnfQBRmnMvmN2WgZnm_NRBeD3TlPq7aubo1mPlzpD99XWpKvg&loadFrom=DocumentDeeplink&ts=652.59)):

The gross number.

Will McGuffey ([10:53](https://www.rev.com/transcript-editor/Edit?token=mzCbvINOAS7gvpKzEIb0Hon_dGfP0MD_yZ9-Y8rUEan8SURZrjpeWV_xqq9ITHfguwlXKqIDIYpoRdTOADG4waxqH1o&loadFrom=DocumentDeeplink&ts=653.37)):

Yeah. So, it brings it all back, is you really need to understand not just what that gross number is, but what the net is and what that means to you for your career on the field, and off the field as well. So, we really appreciate your time, guys. We know you might have a lot of questions. Our contact information will be at the bottom of this page. Please reach out to us if there's anything we can do. If there's future questions you want to have addressed on episodes, let us know. Once again, thanks again for joining us on the MLB Draft Podcast.