Aaron Goldberg ([00:20](https://www.rev.com/transcript-editor/Edit?token=IJrYPqYHgW_W2P2cDArH8y7mFIKGcV7asC7r9A14gxt7CYjivv3bBCqdKsf5o6Bt_sK2ajVtTBhrtOG8lEXwL3mu4Hc&loadFrom=DocumentDeeplink&ts=20.77)):

Okay, thanks. Hey everyone. Welcome back to the PGA Players Podcast. This is your host, Aaron Goldberg, Certified Financial Planner and Private Wealth Advisor at AWM Capital. Today, we're going to talk about the three biggest tax mistakes we see with professional golfers. The whole point of this is let's keep as much money in your pocket and under your control as possible, and as little as possible going to the government, because we already know that we're going to be paying a lot in taxes, but let's do everything we can to keep as much in our pocket and also use the most tax efficient ways to grow our money so that our end purpose is having an after tax net worth that is as high as possible because that's what we can do what we want with that money, which is either spend it, save it or give it.

Aaron Goldberg ([01:10](https://www.rev.com/transcript-editor/Edit?token=EXFQ4jjuH_hh9mIJG3l8Q_tGTpqrj-4c3xyqELV3iIJfzZPmPDMbmF7GGvRpoFhC3j96d5zCBJOZHIT1QAj77Jwt6BQ&loadFrom=DocumentDeeplink&ts=70.73)):

So without any more delay, let's get into some of those mistakes that we see. The number one mistake that I typically see with professional golfers is with their quarterly estimated taxes. There's two things that we see wrong. Number one, a lot of times we see people that actually don't even pay the quarterly estimated taxes. This is a huge issue because now you're going to be paying penalties and interest on those penalties along the way. Unfortunately, the IRS doesn't let us just calculate what we made at the end of the year and pay our taxes by April 15th. April 15th is the tax deadline to file our taxes, to finalize everything, and reconcile any differences. But along the way they want you paying an estimated amount based on what you've been making either in that year, or there is a calculation based on what you made last year. But we do need to be making payments along the way.

Aaron Goldberg ([02:10](https://www.rev.com/transcript-editor/Edit?token=DpAWaieJ9qm9YOGjXxT4yHGAaoACQKyN4ipvtb7JDfaAlE59D82WXbeO3Uag41uXifPZC3fRMmbblBku_DxNCUjCr5g&loadFrom=DocumentDeeplink&ts=130.32)):

The second mistake as part of those quarterly estimated taxes that we see is a huge overpayment. Like I said earlier, we already know we're going to be paying a lot in taxes. Why pay any more than we have to? Because essentially all that is is a loan to the IRS that they'll give you as a refund once you file. So if you're overpaying on your April quarterly estimated payment and then your June and then your third quarter one, all of a sudden now we're loaning the government money for a year, nine months, six months, three months. Why would we do that? We're not going to get compensated for it. They're not going to pay you any interest for it. That's for sure. So let's make sure that we get a fairly accurate accounting of what you're making in this current tax year so that we know that we're paying the right amount of quarterly taxes.

Aaron Goldberg ([02:59](https://www.rev.com/transcript-editor/Edit?token=OKNHHp6rcsjeYqU_aaCvGZe9XRzav2k4abctvqV5dFUdyeXhKas-yjZXiBUrZYP-p6MHe1E1Ew3SsaUVGH7C795WsUs&loadFrom=DocumentDeeplink&ts=179.8)):

Unfortunately, what I typically see is, and I don't know if this is that laziness on the accountants' part or just the fact that they know they're not going to take the time to keep up with it throughout the year. So they'll just base it off, hey, last year you made X amount, so that's what we're going to assume you're going to make next year and so we're going to break that down into a quarterly payment. Well, that's fine and good for a normal W-2 employee that's at a job that they either have the same salary or maybe they get a 3% raise. That's totally fine. But for you as a golfer, we all know your income is going to fluctuate. You may make way more or way less this year. If you had a really good year last year, and this year you're off to not as hot of a start, the last thing we want to do is be paying the same amount of taxes based on last year's income if we're nowhere near that income level this year.

Aaron Goldberg ([03:49](https://www.rev.com/transcript-editor/Edit?token=I_-AMZO-CfCtxM2fg3GNYxEOPCvEX2vIW2wnvCkxDdLClJaYtp73GSJZVLYQrJcuTCtNB9kU3a5p0wxxUrgSnw7dN78&loadFrom=DocumentDeeplink&ts=229.57)):

So it's really important to make sure that we're doing this along the way, and that's why we talk about all the time that your tax planning is a 365 day a year endeavor. It's not a December 31st and April 15th endeavor. We want to make sure that we're doing this all along the way to make sure it's as accurate as possible and efficient as possible so we can keep as much money in your pocket throughout the year, as well as at the end of the year and when you file your taxes so that you can use that money for yourself and to improve your human capital, make sure that you're getting everything you can out of your golf game.

Aaron Goldberg ([04:30](https://www.rev.com/transcript-editor/Edit?token=gbbvCoVzt27fgQC5sHsqBwGzgDG3cdFxUqGUsQWZkCyHjbt3Vp6OFKxhs6V3ppcqGV8frGykxACNI1E4--dHJLVzLpI&loadFrom=DocumentDeeplink&ts=270.8)):

So number two big mistake that we see on tax returns and tax planning for professional golfers is not taking advantage of retirement plan contributions. Now, if you're really young, the last thing you're thinking about is retirement. But think of it more as tax advantaged accounts. So we're first going to use the example of a good year of income, where you're in one of the higher tax brackets. What I see commonly used, and I was guilty of this as well, is a SEP IRA. It's fine. It does a good job. It gets you most of the way there. But is pretty good good enough for you, or do you want to do what's best for you?

Aaron Goldberg ([05:13](https://www.rev.com/transcript-editor/Edit?token=AUBDpmf3c5VNciV09tcmmtHyco-X5l6c94T3Pjkd-FxIFR9pWihk4VRlLTCZC-3XtF37M_fHCXrjPRVT4AsQRL9RlXI&loadFrom=DocumentDeeplink&ts=313.84)):

So the difference between a SEP IRA and what you should be using, which is an individual 401k are two things. Number one, with the individual 401k, you have the ability to make what's called a backdoor Roth contribution, and number two, you have the ability to make a Roth contribution. So first let's go over the ability to make a backdoor Roth contribution. If you made a lot of money last year, and you're in a high tax bracket, you want to put as much money into the pretax account, like the individual 401k or the SEP IRA, they have the same limits, and max that out. Good. We're done with that. But now we can also make an additional $6,000 contribution to a nondeductible IRA and then turn around and turn that into a Roth IRA, what's called a backdoor Roth contribution, and now that money is going to grow tax-free for the rest of your life.

Aaron Goldberg ([06:09](https://www.rev.com/transcript-editor/Edit?token=gqMzgRJ2b26JxzMwi4E7RTNZRCrKd6fltkzQA_dkzGZV-AYuVvrBkMSmAz0nyL1-XmTUVbO4R-6DqCI6_GqDQfHdSEY&loadFrom=DocumentDeeplink&ts=369.77)):

Now you may be thinking, "Hey, $6,000. That's not that big a deal in the grand scheme of things. Why would I go through all that effort to do that?" Well, number one, you're not going to go through the effort. Your team is going to do that for you. Number two, think about it this way. Let's say you're 25 years old and you make that $6,000 contribution for the next 25 years until you're 50. While you're playing, hopefully you have a nice long career. That's 25 years of that $6,000 contribution. Now, when you get to 60 years old, let's say you were getting just a rate of return of 6% all along the way. That $6,000 a year for 25 years is now going to have grown to $630,000. It's a pretty good chunk of money. When you think about it, now this money is all tax-free. You can use a dollar or all $630,000 and every dollar of it is going to be tax-free.

Aaron Goldberg ([07:02](https://www.rev.com/transcript-editor/Edit?token=ylijK6aoruV4P-a9srSBEQ0yUbtqM5P0aqvqWT4j0laZOkJImvYIaPJriwG7VLY8lFi9M5mZ57DBPKVI5bROn3TRsDM&loadFrom=DocumentDeeplink&ts=422.09)):

If you didn't go through that extra step of putting it into the nondeductible IRA and then converting it to a Roth IRA, you'd owe if you were in a 30% tax bracket between federal and state $144,000 in taxes on that account if you were to be pulling it out. That's a $144,000 tax saving for making one or two extra steps that your team is going to do for you. It sounds like a pretty good idea to me, and that's why we want to use the individual 401k as opposed to the SEP IRA, because it allows us to do that.

Aaron Goldberg ([07:36](https://www.rev.com/transcript-editor/Edit?token=V3SkU7lIZD3QDSiK822jyDkkMLRjJKqiVELEgh54PNspkEbpz4T4Y_nk6EWjZn3c7Btg2YXHhE_YLTiYIqFhw4DyVXU&loadFrom=DocumentDeeplink&ts=456.76)):

Now, the second part of that that I mentioned was what about making the Roth 401k contribution? So this is the other end of the spectrum. If you're in a bad tax year, in terms of let's say you didn't perform as well or you got hurt and you didn't play as much, so you're in the lower tax brackets this year. Maybe we're not as concerned about avoiding taxes this year. But what we do want to do is save that money in the same type of Roth account that we were talking about earlier, where that money is going to grow tax-free for the rest of your life. We can do that with the individual 401k by using the Roth 401k. We can't do that in a SEP IRA. There is no Roth SEP IRA.

Aaron Goldberg ([08:18](https://www.rev.com/transcript-editor/Edit?token=phZOhqBNNGQ5P-_qi8odqNG0wZOPz5XOa-uWHodjCFn2JQbLYxq8eYV4ywCOXxLDbZxV2EJL4sP-JYx6Wq6qsPO6ZrQ&loadFrom=DocumentDeeplink&ts=498.55)):

So it's really important that we take advantage of that Roth 401k in those lower tax years. So now instead of just sticking the money in the bank and it's going to be taxed every time it has any growth, we're able to take advantage of these tax sheltered accounts and grow that money tax-free for the rest of your life.

Aaron Goldberg ([08:37](https://www.rev.com/transcript-editor/Edit?token=aPIOjd5aqOpIVGUwmuR-YknkP3GFuo-WDJ2H3R7epnDFSuEdqblRN6QqQF8JX4gkdPJE-GdvCtOM7hqniLX48RcUvBI&loadFrom=DocumentDeeplink&ts=517.87)):

The third part of this is if you have a low tax year... This happened to me, I had played well for a few years. I'd made some good money. I'd made my contributions to my SEP IRA. We already talked about I didn't know any better, but I at least made those contributions to avoid some major taxes in the high tax years. I got hurt and for two years I didn't make a dime. So I'm in now a 0% tax bracket since I didn't make any money. What I should have done if I would have known better and if my tax team, at the time it was a CPA that did a great job for normal employees, but he didn't have any business advising a golfer, he didn't know anything about it. Nobody told me I should do this, but I should have converted the money that was in my SEP IRA to a Roth IRA and taken advantage of my zero tax year.

Aaron Goldberg ([09:31](https://www.rev.com/transcript-editor/Edit?token=YPxLVCd9wcW9jCX0XimrCeE10apjKbfljln6X3uwu9qnwIDcwVvY9ACX9dJaVOvLLL3qpWyZ00jtWLmoI_JngHHqBio&loadFrom=DocumentDeeplink&ts=571.24)):

I would have paid probably in the range of 10% in tax on the money I would have converted and never had to pay tax on that money again. At the time, I was 29 years old and 30 years old. It could have grown for the next 30 years tax-free and never have to pay taxes on it again. Instead, I wasted those two years of no taxes and now that money... I didn't pay any tax those two years, but now that money is growing, but it's always going to be taxable every dollar in the future. So hindsight, it would've been great to do. I wish I would have done it, and it's going to end up costing me in my retirement and the long run a good amount in taxes.

Aaron Goldberg ([10:07](https://www.rev.com/transcript-editor/Edit?token=Oi5cXRFxfYXTJGhEHdeKoY9qV7dtUed6tnbtXo8Eve_F5Lq-IFcSGO5FRv6zwTrP3_P-CSsSDueBFJ4KVwP43pTmQbY&loadFrom=DocumentDeeplink&ts=607.55)):

But at least I know now, and this is part of the reason that we're doing these videos and these podcasts is so that we can share some of this knowledge that I wish I would've known when I was playing, and now I know after getting credentialed, getting studying, and getting my certified financial planner designation. We know some of these things that we should be doing for athletes and trying to share that knowledge.

Aaron Goldberg ([10:31](https://www.rev.com/transcript-editor/Edit?token=EPoVGcTCJALSGY9oTC0o_K8ldYTEnOereedYVCCD-_uaf7glybKGcyunf6l6IeCPRGXLw32_GRXHk2uxHcS1JhyMUsU&loadFrom=DocumentDeeplink&ts=631.49)):

The third mistake that I see when it comes to taxes for professional golfers is looking at their residency days. If they're trying to file for residency in a state that has a really low or no tax state tax. Now, we've talked about this before on this, but if you live in California, obviously you were at one of the highest tax brackets, especially if you make over a million dollars. Arizona's taxes are going up. New York has a really high tax rate. But Florida, Texas, Nevada all have 0% state taxes. So everybody would love to file their state taxes there. But what is the IRS really looking at? What are those state governments really looking at when it comes to whether they qualify you as a resident or not? That's a really important thing to be looking at and talking about with your tax team.

Aaron Goldberg ([11:24](https://www.rev.com/transcript-editor/Edit?token=KfWYEVi6wJeSpk5oMKx_Ekn5wPousBK5xyZLPBPuBH0_ZdwXi6Ju0WtG2GVq0mJWuqcxHkGSXoUPDfP6egExfq4klpY&loadFrom=DocumentDeeplink&ts=684.43)):

I've heard so many different stories from different players, different coaches, different caddies, everybody out there, even different financial advisors that just don't know. It ends up spreading a lot of noise and people are looking for what sounds the best. But in reality, it probably isn't accurate. The reason why we may want to make sure that this is accurate is if you say that you're living in let's say Nevada, but really California is going to come back and say, "No, you lived here. You owe our state taxes." Yeah. You save some tax that year, but guess what? When they come get you in three to five years, you're going to not only owe the back taxes, but then you're going to owe penalties. Then you're going to owe interest on all that. It's going to end up being a huge bill and it's going to be a huge headache. That has to be a distraction for you on the golf course.

Aaron Goldberg ([12:15](https://www.rev.com/transcript-editor/Edit?token=1dKVHTBsQSr-jEpG86SIomtmwXC5Plez7pgaYMs6xF2mNcH8h5-y383FG-iMwN2hLmHoHwcjm77loNXpZUrIyeLH9F0&loadFrom=DocumentDeeplink&ts=735.87)):

So I'm not saying don't file for residency in a different state or in a lower tax state. What I am saying is make sure you understand exactly what you need to do. We've talked about this before, and you can go back. We did a whole podcast on it. But the main things are there's the first foundational things like having a place that you live, getting your driver's license, registering your car. Those are as my colleague put it, those are the monopoly don't pass go, do not collect $200 type of thing. If you don't have that, then don't even think about trying this. But if you have all those set in place, what they're really going to be looking at is in your off weeks, let's say you play 28 weeks out of the year, that leaves 24 weeks, that you are not playing on the PGA Tour or whatever tour you're playing.

Aaron Goldberg ([13:02](https://www.rev.com/transcript-editor/Edit?token=DneJKFcgrsMhKVF31LA5VCVpUKfKuHt9HbmeyIYbjA4ly4-zVQizp6_N3SF3eSCz1bqX_5pffoEXqqS0RDHKKjPRxKo&loadFrom=DocumentDeeplink&ts=782.62)):

In those 24 weeks, where are you spending your time? 50% plus a day needs to be in the state that you were claiming. If that's not the case, you're going to have a really hard time proving that you are a resident of that state. They will go as far as to get your credit card statements and see where you are making purchases and charges during that time. They will be able to get your phone records and see what cellphone towers your phone is getting triggered off of. So we've gone through those audits with our players before, and that is what they will look at. So it's really important to understand what you need to be doing in order to comply with that, because yes, it can save you a lot of money to file in Nevada or Texas or Florida as in comparison to those other states, but make sure you're actually doing it and doing it justifying why you're filing there. Don't just try to whip something together that says, "Oh yeah, I lived there." But in actuality, you're spending most of your time somewhere else.

Aaron Goldberg ([14:03](https://www.rev.com/transcript-editor/Edit?token=f3j--GSJ0Tmc11qAvn_lh52kVtj6vEkpqLqeB3PeTp2bD7C9BtoLi-e09OxYK1NYf1iLI_PbPvnXX0JnFQ6EjsCEuy8&loadFrom=DocumentDeeplink&ts=843.77)):

So those are the three biggest mistakes we see and the most common. Again, the reason we're talking about this is we want to make sure that you not only are getting the best service and the best advice possible, but so that that money is staying in your pocket so you can reinvest that in yourself and maximize your after tax net worth and maximize your potential on the golf course. I hope that this is helpful. This should be something that you've at least heard and that your tax team is able to advise you on. In the show notes, we are going to include a PDF of some of the questions you should be asking your tax team and your wealth management team. If you would like PDF, check out our show notes on the podcast or our website.

Aaron Goldberg ([14:55](https://www.rev.com/transcript-editor/Edit?token=s1fEZ8AyOxMxYgb_ii2g0MCtlHPXl79qh5LTNGQHFKpXzSJiVIG5Ma1XgxH41lDKGl8SAw8iOsqrC5krS8LaF4qpj3Q&loadFrom=DocumentDeeplink&ts=895.84)):

If you're on YouTube, you can hit the link and send us an email and we will send that out to you. While you're on those sites, if you can give us a rating, a thumbs up, a share, that'd be really great. What it does is it helps get this in front of more of your colleagues, more players that this advice can help. It really lets us get more information out there. If you want to reach out to me directly, you can email me at agoldberg@awmcap.com. Love to get questions. That's where some of our last podcasts came from are questions that were sent in. So we'd love to continue to be able to do that. So until next time, be a pro and own your wealth.