Aaron Goldberg ([00:00](https://www.rev.com/transcript-editor/Edit?token=5o-e3Z70DizsSz5y1lIBWZ5TzRFZ6DJWGXOyewQJLWHz_1j2f4VxlCmjqqfBsParRLwjj841h3EZmBlAomNGYPfrbAk&loadFrom=DocumentDeeplink&ts=0.04)):

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. This week, we're going to talk about probably the biggest threat to your net worth, and that's a lawsuit or some sort of liability that comes up out of nowhere. And we want to make sure that we're taking account for and protecting our net worth against. This week is the Waste Management Open. It's a fun week, lots of parties going on. This year is probably going to be a little bit different with only 8,000 fans on site each day. Usually it's more like 200,000, but it brings up a point of, as much fun as everybody's having, there's always way more DUIs, way more arrests and things like that. But there's also, accidents, people get hurt, that type of thing.

Aaron Goldberg ([01:15](https://www.rev.com/transcript-editor/Edit?token=12_PSeMmuW9m5Gvv8vstPETTzyT55SWajucSyNlWM00V5476hlTJcqXelHCbRsl23Cg19_huLXo44nlVDMDuybeeybI&loadFrom=DocumentDeeplink&ts=75.05)):

So it's a good opportunity for us to talk about what happens when that happens on our watch or something that we're connected to. Because when you think about it, now that you're a public figure, if you're a professional golfer, you have a target on your back. People see dollar signs, so what you need to do is make sure that you're protecting yourself so that if something does happen and you're somehow connected to it, it may not even be your fault, but you just were there or you had some sort of a connection to the accident or incident, they're going to go after you. They're not going to go after somebody else that's just Joe Schmoe, they're going to see dollar signs as you as a professional athlete. So you need to take those steps to make sure that you protect your net worth.

Aaron Goldberg ([01:59](https://www.rev.com/transcript-editor/Edit?token=hFGV7zboEQh5OCtT5OaK71J_Iunr9qk6Ivkwgu9iuJmAtxxkD-NCDNmL3OiByQsut90nbv_z_85wIpNAEl6cHzxbbjM&loadFrom=DocumentDeeplink&ts=119.95)):

So one of the biggest things we see and probably the first thing that comes to mind for the everyday person that thinks about it is, if you get in a car accident or somebody slips and falls at your house, they're going to look to you and say, "Hey, you're the owner, you're the owner of the house. You're the owner of the car. It was your fault. I'm hurt. My back hurts. I need you to pay for my medical bills and all the work I'm going to be missing. And oh, you're a professional golfer. I see your staff bag in the trunk. Cool. You must be worth millions. My back hurts even more now." So we really want to make sure that we, first of all, have all of those, like car insurance and homeowners insurance up to date and have all of our limits where they need to be.

Aaron Goldberg ([02:41](https://www.rev.com/transcript-editor/Edit?token=fcK1wij3C_FOOYBzWkQE1bDnmTuGA35O7DG4ssadeWHpDXUyLhXzdguNZhNbGefaRZLzWozkNcKs2M2J51mkckrdiW4&loadFrom=DocumentDeeplink&ts=161.4)):

But on top of that, what we need is what's called an umbrella policy or a personal liability policy. And they're actually fairly cheap, and what you want to make sure is that that value that you're insuring against liability is equal your net worth. Or as your net worth really gets high, equal to an amount that somebody is not going to be able to sue for over. I'm not going to say for hard numbers, but when we get up into the high millions, we're not going to need to ensure a larger amount than that because somebody's not going to be able to say, "Hey, you owe me a hundred million dollars for my back hurting." But we do need to make sure that we're watching out for some of the things that you don't think about. When we're on the road and we're traveling, we typically, if we're not in a hotel, we're going to rent a house.

Aaron Goldberg ([03:35](https://www.rev.com/transcript-editor/Edit?token=2MUXuEbcKbI9Gn2lFERlLFQpjkG_59Md3z4uJgnLoi45I9fAClfWl-9exbejm0qr1u2q1Xb-Uo7RxqzIVQKPbb6sCWQ&loadFrom=DocumentDeeplink&ts=215.74)):

Well, what happens if somebody comes to that house and they trip and fall? Or you guys have a few people over and somebody gets hurt there? That's on you if your name's on the lease, even if it's just for the night or the month or the week. So what I really encourage you to do is if you're, especially when it's not on the road for tournaments, but let's say you and your buddies are going out to Vegas or Palm Springs or somewhere for vacation, to go have a little bit of fun, don't put your name on the lease. Let one of your other buddies do it. You can pay for it still if that's the plan, but let them put their name on the lease. That way, you have some separation there because again, what we don't want is if you don't have anything to do with something bad that happens, we don't want you to have any liability there.

Aaron Goldberg ([04:20](https://www.rev.com/transcript-editor/Edit?token=XevZl8n6k6zohDMhWbk5TsbNAssIuYhLlp84unsKzK3fjCjlpEDiZSss5E_ZATtD8vx0F3mGlMqdshidWK4J7Fuyn0c&loadFrom=DocumentDeeplink&ts=260.27)):

Unfortunately, we've seen that happen. And just because you want to pay for it, be nice for your buddies, you don't need to put your name on the lease because that immediately ties you to what could go wrong. The other thing is, I've seen this happen, luckily, I didn't get sued, but dog bites. I have a dog. She's a lab. She's friendly to all the people. Everyone sees a lab and they're super friendly dogs and so they let their dogs run up. Well, she's a jerk, it's plain and simple. She does not like a lot of other dogs. And luckily she hasn't bitten any of them, but at the same time, if she were to bite another dog or bite somebody else, they could absolutely sue me for that. And if I'm a professional golfer still, which I'm not anymore, thankfully in that sense, they can jack up the price that they want to sue me for.

Aaron Goldberg ([05:11](https://www.rev.com/transcript-editor/Edit?token=ssaGlaDXbZY4E_W8puFGIFiFBpLMik6ZmjDauGHWHAUkNGRb0ZmpNSUH3rMlJMOty0n9v427XJs2M9FrQTmU9OqlZWo&loadFrom=DocumentDeeplink&ts=311.09)):

So we want to make sure that some of those extra things that we don't really think about, not necessarily that we're covering those, but we have that protection in place. So if something weird happens and we could be found liable, then we have some coverage there, so we're not all of a sudden having this catastrophic event ruin our net worth in the future. Because the other thing is if the judgment against you is for more than you have, they can go after your future earnings. So, some of our younger guys that are just turning pro or just getting started, maybe it's their first year on tour, but they're doing well and they have a five-year contracts, something like that with an endorsement deal, they can go after those future earnings. So we want to make sure that we have that protection in place. As a public figure, it's really hard because you're in the limelight a little bit more, as a golfer, maybe not as much as football and basketball and baseball, but take a look at Johnny Manziel, for example.

Aaron Goldberg ([06:12](https://www.rev.com/transcript-editor/Edit?token=MC1jMbN1Hs-kmlDzoUpgznU2VaxISpiGoeDhDC2VuLzFhd2Z6Oku5o-O6g_8nGEqvNSjairI411IcVI94k9tbneBShA&loadFrom=DocumentDeeplink&ts=372.39)):

Obviously, he's done some things that we don't agree with and he's gotten in trouble with the law, but he's also gotten sued numerous times for nothing at all that he had anything to do with. They're fraudulent claims, but he still has to deal with them and he still has to pay for a lawyer, his agents and their lawyers, to fight those things. So we want to make sure that we're covering our bases so that we don't have those things come up because one of the benefits of having one of these liability policies is the insurance company is now in this with you. And what that does is not only are they going to pay for however much coverage you have, if the judgment goes against you, but guess what? They don't want to pay millions of dollars out, so they're going to put a bunch of money into their lawyers to fight this on your behalf.

Aaron Goldberg ([06:59](https://www.rev.com/transcript-editor/Edit?token=bhxi8K5UNgf6odk6ymluEImHtv3QeSJ-7hQ-l4TeQ26UpECZZjZT40nbAPY-IHD6y_DWAa_ysURj8u5lAm5Bz6D_7B4&loadFrom=DocumentDeeplink&ts=419.67)):

So, that actually can be one of the bigger benefits on top of obviously having that coverage so that you don't have to pay out of pocket if this lawsuit goes wrong against you. Another example is we've had an athlete where he was in a parking lot. He was backing up at the same time as somebody else, they bumped bumpers. They both parked, looked, there's a little scratch, little scratch. For normal people, the worst they do is say, "Hey, somebody needs to pay for the scratch." And nobody was necessarily one fault or the other, but they could tell that he was a major league baseball player. And guess what? The next day, they couldn't get out of bed supposedly. And all of a sudden it turns into this huge lawsuit trying to get millions of dollars from a two mile an hour fender bender.

Aaron Goldberg ([07:48](https://www.rev.com/transcript-editor/Edit?token=iwLbH_SRx6gQvxnGvE5x2vMTZ74yEg-FM3XHjLeOaP_SrQneofgxhl9dK9mZTC1LZ6IqGfUTpYQFwxDN5-ygKKDpyWQ&loadFrom=DocumentDeeplink&ts=468.17)):

So again, typically when, especially when we're on the road, we're coming straight from the golf course. We're wearing our golf clothes still. We have our logos on, we have our stuff in the car. It's pretty easy to see that we are a professional golfer, so we want to make sure that we do everything we can to protect that supposed target that we have on ourselves so that we don't expose our money and the hard-earned dollars that we've earned and saved to lawsuits that really have no merit. The other thing that we can do, and we've talked about before, is setting up an LLC for the business side of it. If something goes wrong on the golf course or in anything that has to do with you as a golfer, the business, if somebody sues that, that's the whole point of the LLC is they can only sue that company, your company, not you, the person, and therefore only assets held inside of that company can be used against or paid out against that lawsuit.

Aaron Goldberg ([08:54](https://www.rev.com/transcript-editor/Edit?token=Lx_IEA4EG-qB8ZRbdAMhR4kti0dBVMW2IARUXunEgrPrbDFaCLB5tC82Qd2wJzzd_PiDZfu7y6tbnAuZg53t2faYRZw&loadFrom=DocumentDeeplink&ts=534.13)):

So it brings up another important point. And I've had to talk to a lot of guys about this. They go through the first couple of steps of getting an LLC set up, funding it, and in terms of putting all their accounts in the name of the LLC for their business purposes, but then they leave all their money in it. The whole point is to move most of the money out of the LLC, so we really want to make sure that we're following those guidelines, so that we are using the LLC for its purpose, which is to protect our personal assets from the business side and keeping some major separation there. The other part of keeping that separation is we don't want to co-mingle assets because then we could run into the issue of what they call piercing the veil, where they say, basically, you're co-mingling assets, you're paying for business stuff out of the personal account.

Aaron Goldberg ([09:45](https://www.rev.com/transcript-editor/Edit?token=gF6crpyrkHeSuHvwyy9dPUOU3zqO-YFoVjccToDQ3f5OYt5WdpsI5DETtBrWwDfY-zAe5T3qmbM5lVdYNaqFQwfe3MY&loadFrom=DocumentDeeplink&ts=585.06)):

You're paying for personal stuff out of the business account. Therefore, the LLC really is invalid. And then all of a sudden, we've gone to all the hard work of setting up the LLC and we don't have the protection. So really important to follow those guidelines too. So, the point of this and what I want all of you to take away from this is hopefully you have somebody in your corner that has talked to you about an umbrella policy and a liability policy. We all have car insurance, we probably have homeowners insurance or for renting a renter's insurance policy. What we want to make sure is if we're doing our umbrella policy with that same company, you need to make sure that they will actually ensure you as an athlete with an umbrella policy. I didn't know this when I got my umbrella policy and I was still playing. I was paying for an umbrella policy that was invalid.

Aaron Goldberg ([10:39](https://www.rev.com/transcript-editor/Edit?token=Nmhh6H1XVgkBZNGm9BN2JaRpi6wq0dhgyTW2RDUxsy7IOyLiMNbE3aHG9OxKdjiptnna_mG3e0Q7B32M_BwWG_S1XlI&loadFrom=DocumentDeeplink&ts=639.48)):

That company did not insure athletes for umbrella policies, but the agent that I was using didn't know that, so he wrote me an umbrella policy. I was paying for it. And if a judgment actually came against me, the company wouldn't have validated it. And I would have been liable, even though I was paying out of pocket, all they probably would have done is refunded my payments to them. So again, this comes back into working with somebody that specializes in athletes. You need to make sure that you know all this stuff and that your advisors know all this stuff, so that you're working with the right companies and you're working with the right insurance companies that will actually cover you as an athlete. So we want to make sure that one, we're protecting ourselves with an umbrella policy and an LLC and keeping that separation, but then hopefully you've already had that in place, but we need to reevaluate probably every year, every couple years, in terms of how much of that insurance we have in place versus what is our net worth.

Aaron Goldberg ([11:42](https://www.rev.com/transcript-editor/Edit?token=nAaIuqVh7lLXeA-Nfw7vl_j9z-wrKEeekSFh2XW4AjXcihvrJRLmgk3fFqEk9kePtsX3n7HgLLDwtCEZRpuUxg-pSIA&loadFrom=DocumentDeeplink&ts=702.78)):

And net worth as a definition, I know we throw that word around a lot, is not just what we have in the bank. It's what we have as an asset that we can hold ourselves, so that is going to be your bank accounts. That's going to be any liquid investment accounts, but the equity in your home is an asset. Your cars are an asset, but also your human capital or your future earnings technically are part of your net worth. Now, we haven't realized them yet, but again, people can sue you for your future earnings, if you don't have enough to cover what they're suing you for. So that's why making sure that we have an accurate accounting for what your net worth is currently and what those future earnings could be is super important so that we can make sure that we're insuring against that and covering it.

Aaron Goldberg ([12:32](https://www.rev.com/transcript-editor/Edit?token=NONb0jrixPtIM-TpZAUVHbfGges3fo2lyu6J7BLqRcAfqd4AYYn4GMTmKsywLpD0SmkjkWVlBiATgjeMC7fMK7RERYo&loadFrom=DocumentDeeplink&ts=752.95)):

Insurance is there for a reason, it's to cover for a risk that we can't afford. And this is the definition of a risk we can't afford. We can't afford these multi-million dollar lawsuits because we're an athlete and somebody is going to add a zero or two at the end of how much they want from you. So at the end of the day, let's learn from some of the athletes that have had to go through these lawsuits. Let's cover our bases. It's pretty cheap. It's very easy to do, work with an advisor that knows what they're doing, has worked with athletes and know which companies athletes can be covered under. And be a pro, treat this like it's your job, treat it like it's a business because it is. So until next time, stay humble, stay hungry and always be a pro.