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## Equity deal can be smart-money play for athlete endorser

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It's common knowledge that many professional athletes go through their money at a rapid pace. It's rare to hear about players who view the financial opportunity laid out in front of them like a savvy CEO rather than a kid who just cashed his first paycheck.

These are the individuals who understand their days tossing a ball around for super-sized checks are only a minor blip on the jumbo screen of life. They aren't just players in a game; they are businessmen committed to ensuring their money outlives them instead of the other way around. All their peers would be smart to pay attention.

Of course, there are the simple money-management steps that every person, star athlete or truck driver, should be following: invest your bonus, drive a Ford instead of a Bentley, contribute the maximum to your retirement plan and have insurance to protect your loved ones. But athletes who want to be elite off the field as well as on will take further action steps, like creating tax minimization strategies, diversifying with alternative investments and finding a way to structure endorsements like an owner rather than just an employee.

What happens when an athlete agrees to an equity endorsement is relatively simple to understand. Instead of just taking a straight fee for representing a company, the athlete receives ownership in one form or another through stock, warrants or options. This means the worth of the endorsement contract is based on how well the company does. The athlete and the business are on the same side of the table. Mr. Pro now has a vested interest in how the company does and the manner in which he represents it.

Owning shares of a prosperous enterprise can also be a great retirement planning tool for those who can have abbreviated career spans. Along with the possibility of stock price appreciation, they receive tax advantages and possibly cash dividends. Not only that, but anyone, athlete or otherwise, is more likely to spend cash that's just sitting there, so having stock is like a forced savings plan.



These equity endorsements are becoming more common the last few years due to prominent deals like David Wright chugging Vitaminwater and Tom Brady donning Under Armour. Like with any endorsement, there will always be more opportunity for the big names, but lesser-known players with proactive agents can receive ownership opportunities as well if they show some personality and an image that reflects the brand that company is building. An athlete who is well-respected, active in the community or just plain interesting for whatever reason will have chances for these types of deals. But it's also important to understand that many companies won't bring it up, so it's the responsibility of the athlete and his agent to be aggressive and go after that ownership stake.

Mets third baseman David Wright received a minority share of Vitaminwater as part of his endorsement deal.  
Photo by: GETTY IMAGES

Now, it's not all fun and games when it comes to these fancy endorsements. As with any equity, there's always a possibility that it can drop in value. If the business starts to fail, there's probably not much the athlete will be able to do to prevent it. An understanding of the risk involved beforehand is necessary. But logic can tell an athlete that a company trying to sell cheeseheads in the Windy City or South Beach apparel in Cleveland might not be the best in which to take equity.



Patriots QB Tom Brady's deal with Under Armour came with an equity stake.

Also, quite often it is smaller or newer companies that offer equity because they aren't capitalized well enough to have a big-name player sport their brand for cash. In those types of situations, the athlete is taking on more risk and with less cash up front should get a bigger bite of the equity to compensate for that.

Perhaps the most crucial element to the equation is to have a team of professionals around these athletes (financial adviser, CPA, agent) that is well-versed in these deals and can structure them in a manner that most benefits the player. These outside professionals should make sure everything is

covered, including cash calls and anti-dilution provisions, which prevent further issuing of stock that would water down the value of the athlete's shares.

In the end, it comes down to a business decision. Is the risk of wasting the player's time promoting a company worth the possibility that the company is the next Vitaminwater? Does the company have the same set of values that the athlete has? Does he understand the tax consequences?

For years, corporate executives have earned salaries with the possibility of a big payoff coming from equity they receive in their companies. Now, some athletes view themselves as more than a guy, or girl, playing a game and have started copying that model with big success.

The bottom line is that, if structured properly with good companies, and with solid due diligence, equity endorsements are a play all pros should consider adding to their game. The added complexity and negotiating work is well worth the fact that they are transitioning themselves into businessmen and women who will be financially sound many years after their playing days have ceased.

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