Lighthouse White Paper

Millions of dollars just aren't enough

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April
2013

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Preface

"A goal without a plan is a wish."

Herm Edwards – Former NFL Player and Coach

Media, most importantly social media, has become a huge part of our culture over the past 20 years, specifically, by tearing down the wall of privacy. We cannot turn on our television, radio, or computer without hearing about celebrities or notable person's personal lives. Journalists and paparazzi make it very difficult for anyone considerably famous to keep their personal lives even somewhat personal.

The media succeeds in portraying celebrities, and other famous people, as esoteric individuals that are perceivably held above the law. We often forget that they are merely human and are technically required to follow the same laws as everyone else. Regardless of their fame, it is important for us to remember that these individuals experience real problems that can happen to anyone.

In this white paper, we will address social and cultural issues regarding personal finance that are often presented on a grand-scale in the media. Our hope is to urge our readers to shift paradigms when viewing these sources to consider the very real possibility of these experiences happening to themselves or people around them.

Economic Context

The 1990's were a time of economic fortune and the creation of a culture programmed to spend. The Dow Jones Industrial Average increased from 2,611 to 11,497 in the decade spanning from 1990-1999 (refer to Figure 1). The culture at large experienced wealth and prosperity that continued even into the internet boom and real estate boom in the 2000's. These conditions, paired with an increase in mass communication amongst the country through our various media outlets, created a perceptual standard of living that was often misinterpreted and misleading to the public. The sports world saw a major influx of funds during this period as well. As professional sports franchise values skyrocketed, so did the salaries of its athletes (refer to Figure 2 which shows the average salaries of athletes in 2001, per sport). These two factors inevitably contributed to an alteration of the socioeconomic culture of our country. As a country, we have developed a sense of entitlement to living lavishly and a misguided expectation that market returns will be similar to those had in the past.

Figure 1: DJIA 1990-1999

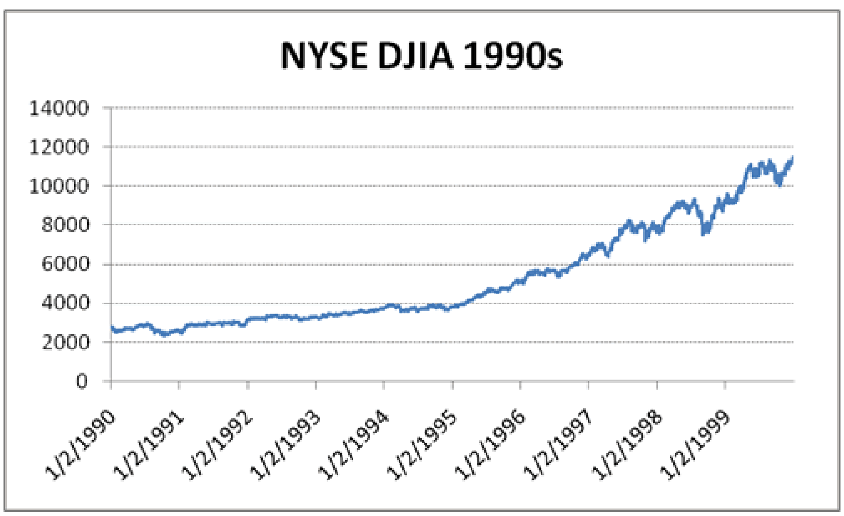
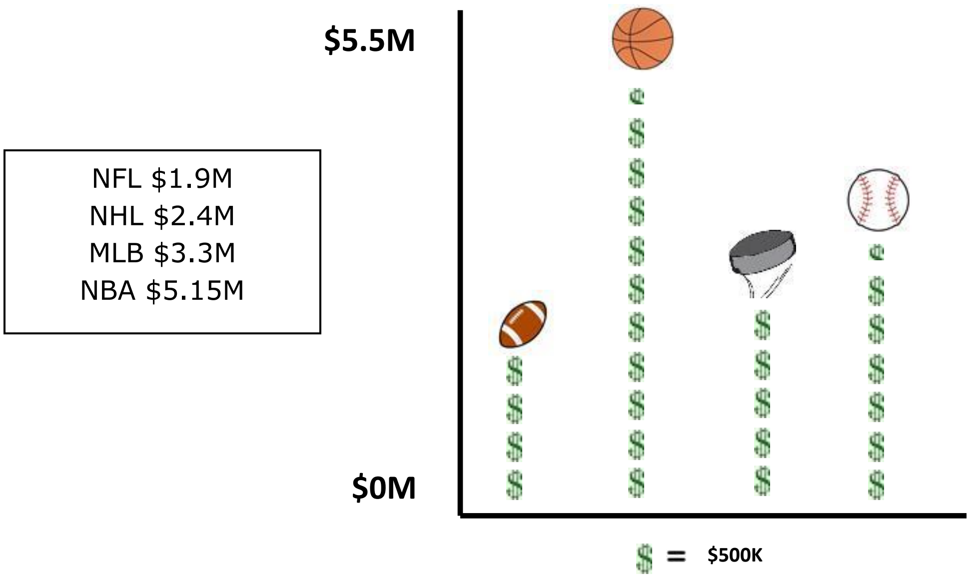


Figure 2



One of the catalysts contributing to the misrepresentation of wealth in this country has been the spending behavior of professional athletes and its broadcasting to the world. Professional athletes are role models for our youth and even adults. The media has made an example of professional athletes for their off-the-field conduct, much of which is pertaining to their personal finances.

It is useful for us to pay attention to and understand the lessons to be learned from these athletes. While constantly on the news, they face financial issues that most of us often neglect in our own lives. Instead of viewing these athletes as spectacles, serving merely as entertainment, we should take note of what is happening to these people on a large scale so that we may better educate, prepare, and actively improve our own financial lives.

Variables

When thinking about personal finance, there is no perfect formula for how to plan for any given individual, quite simply because everyone is different. Individual circumstances and personal preference are major determinants of how a person's money should be handled. Since the sports industry has an uncommon method of compensation for its employees, an athlete's career creates a unique environment for his financial life. There are many different ways for these athletes to be compensated including special term agreements, signing bonuses, and endorsements. In addition, most of these athletes are not paid on a year round basis; rather, they are only paid during their respective seasons. Throughout a given year, an athlete can receive a weekly paycheck, a large sum of money in the form of a bonus, and sometimes receive nothing at all. The nature of the industry subjects them to a high level of volatility and job insecurity influenced by competition and injury. There are numerous things that can happen to an athlete on any given day which could end his career in an instant. With all of these variables, it makes planning and budgeting extremely important.

Variables: Lessons

Athletes clearly have concerns that hold more weight than most people in the general public, such as a high consideration for health insurance and disability insurance. While all of these topics can be important for many people, it is important to make a personal assessment of your needs in order to protect yourself from the numerous variables in life. For some of us, health insurance should be a priority if we have a history of health problems. For others who have hefty commutes, vehicle and liability insurance might hold considerably more priority, as they are more susceptible to risks associated with driving. An evaluation of our life is important for adequate planning based on our personal situation.

Accumulation and Preservation

It is also important to understand the difference in accumulation and preservation of wealth. Through the accumulation phase, wealth is being built up. This is often the time when people gain experience and make common mistakes. Because these mistakes are made with smaller amounts of money, they are less drastic then if they were made with large amounts of money. The preservation phase is when wealth has already been accumulated and the responsibility of a person is to simply preserve that money. When getting involved in risks at this stage in a financial life, a person must be much more careful due to the amount of wealth and his respective time horizon.

The accumulation and preservation phases for athletes are completely different from that of the average person. Due to the nature of the sports industry, the athlete's accumulation phase is very short. Sometime the accumulation phase can be one season. This is due to the way athletes take risk compared to the average person. The average person assumes risk when she invests in the markets. The athlete assumes risk every time he steps onto his respective playing field. His investment is in himself and keeping his body healthy, because if he loses the ability to play, he loses the opportunity to receive his high paying contract. Once an athlete loses the opportunity to play and he moves on from his athletic career, his accumulation phase should end and the preservation phase begin.

The lack of understanding of this concept is a primary reason why athletes lose their money so often. They must consider the fact that their high-income career will be much shorter than that of the average person. In addition, the large sums of money they are paid put most athletes in the preservation phase of their financial life. Often, some athletes aren't looking to preserve their monies with investments such as stocks and mutual funds. Rather, they will choose a more tangible and material investment such as bars, restaurants, or car dealerships. While this may be successful for some athletes if done correctly, others who pursue these investments for reasons of vanity can find themselves in a bad investment. More often than not, this stems from their materialistic and competitive natures.

Accumulation and Preservation: Lessons

This is not an issue limited to professional athletes. It is enticing to dream about "making it big," investing in that one golden company. Much like athletes, perception of how finance actually works is often blurred by false visions and a sense of entitlement to wealth and luxury. The truth of the matter is that people of all types need to work within their means by making proper investment decisions dependent on their respective situations. Riskier investments, including private equity, real estate, or derivatives might make sense for one person, while more conservative investments, such as corporate bonds, government securities and variable annuities are more appropriate for others.

Know Thyself

Athletes have developed a reputation for mishandling their finances and destroying their wealth through excess spending, poor investments, and overall bad decisions in their lives. Looking from the outside in, it is hard to fathom how an individual would be able to lose money of such magnitude. How does someone lose that kind of money when others in a variety of careers are able to succeed with their more modest income?

It is important to keep in mind who professional athletes actually are. They are not businessmen or people that have learned financial life lessons throughout years of experience in dealing with money. Athletes are mainly young men and women, fresh-out-of-college, who often know nothing except what they perceive to be true. They lack experience and a perception of how finance in the real-world operates. The media has created an image that athletes of all types are enjoying extreme wealth and a luxurious lifestyle. This stems from a misrepresented socioeconomic culture our country has created over the past few decades.

The truth of the matter is that most professional athletes do not have the funds to live as lavishly as those portrayed in the media. There are seldom few who actually have the level of wealth to sustain this type of lifestyle. Actually, only five to seven athletes per team have multimillion dollar contracts. Misperception, financial illiteracy, and a competitive nature can be a deadly combination when it comes to managing personal finance.

Know Thyself: Lessons

Finance is an area that is often learned through experiences early in life, as it is rarely taught in the classroom. The cost of these learning experiences is miniscule compared to making the same mistake at an older age, having more money. It is important not to overreach no matter your age or level of wealth. Trying to do things that are not within your realm of knowledge can be costly. For example, selecting investments is a common practice that people try to do every day. Due to the complexity of investment management, investors selecting their own investments open themselves up to numerous risks. There are the few exceptions of effective personal investors who invest properly; however, this requires time, effort, and an overall understanding of contemporary finance.

The other part to "knowing thyself" is living within your means. As a culture, we are wired to believe that we are able to buy luxurious things and get away with it. We are quickly learning that this is a false perception. Our country is infamous for making tools for wealth destruction readily available to its people. Not only are goods and services more accessible than ever with promotion and online buying, but credit cards and other borrowing mechanisms are allowing people to buy things in excess. Living beyond ones means is very easy in today's world and there is little financial education or advice helping to avoid this epidemic.

Competition

The competitive nature of an athlete is sometimes a double-edged sword. It can be his best ally, yet his greatest enemy. On the field, it is an attribute that has carried him to the professional level, but off the field, it can sometimes lead to the downfall of himself and all he has worked for. There are athletes in professional sports who strive to "keep up with the Joneses". This is a competitive drive to obtain a lifestyle fueled by materialistic desires. When athletes live beyond their means and these bad habits are formed, it can lead to disaster.

Competition: Lessons

Professional athlete or not, there are many people throughout the world that are competitive in all aspects of life. This is a great attribute to have in some instances, but can be harmful when it comes to finances. Finance is a subject where ego and emotions should be left out of the equation. Making a decision that is emotion-based often disregards important information and data which can be dangerous in your financial life. As the media continues providing misrepresented and misinterpreted information, people continue to make financial decisions striving to live up to the standard that contemporary society has deemed as desirable.

"Comparison is the cause of more unhappiness in the world than anything else. Perhaps it is inevitable that human beings as social animals have an urge to compare themselves with one another. Maybe it is just because we are all terminally insecure in some cosmic sense. Social comparison comes in many different guises. 'Keeping up with the Joneses,' is one well-known way. If your boss gave you a Mercedes as a yearly bonus, you would be thrilled—right up until you found out everyone else in the office got two cars. Then you are ticked. But really, are you deprived for getting a Mercedes? Isn't that enough? Comparison-created unhappiness and insecurity is pervasive, judging from the amount of spam touting various enlargement procedures for males and females. The basic principle seems to be that whatever we have is enough, until we see someone else who has more. Whatever the reason, comparison in financial markets can lead to remarkably bad decisions."

-Tom Dorsey, Dorsey Wright & Associates

Mo’ Money, Mo’ Problem

A 1990’s hip-hip song is the theme for our next topic. The premise of this topic is the fact that having more money will lead to more problems. While true for some, proper management of one’s personal finances can avoid this situation. As a person increases his wealth and his belongings, he also has to worry about all of the moving pieces he creates. For example, if you were to own a pet, you are liable for what the pet does. If one of your pets harms somebody, you could very well be held responsible. If someone were to get injured on your property, you could again be held liable. Even if you don’t have many belongings and you are just saving your money, you still have to worry about where it is invested and tax implications.

Professional athletes are infamous for mismanaging their money and assets which is often disastrous. Instead of using their money as a tool, it is often turned into a burden for some. Whether it is making ill-advised investment decisions, spontaneous purchases, or anything else in between, a wrong financial move can be costly. An example that sticks out is when a well-known boxing athlete bought a tiger. Although a bit extreme, he responsibly kept the tiger caged and in a tame environment. One night, the tiger was stolen. It turns out that the person that stole the tiger was mauled in the process. As a result, the athlete was sued by that man even though he broke into the athlete’s home and was attempting burglary. The moral of the story is that you can never be too careful when it comes to what you own and the decisions you make. Their effects can have numerous unforeseen consequences that can be damaging to an individual’s financial life.

Mo’ Money, Mo’ Problems: Lessons

Professional athlete or not, this song is the anthem for many. If not handled properly, money can serve as a burden rather than a tool. A person’s life has lots of moving pieces and as he grows throughout his life, so do the number and magnitude of these moving pieces. It is important to make sure that our money is working in our favor rather than against our favor. Making a few wrong decisions can quickly cost an individual, if not thought through and managed properly.

Debt

People of higher net worth, definable by many more assets than liabilities, have the ability to borrow more money. Part of a person's appeal when he walks into the bank and asks for a loan, or signs up for another credit card, is what he is worth. How much money does he have in the bank? What is his house worth? In other words, what should his ability be to pay back the loan? The ability to borrow more can quickly result in an accumulation of large amounts of debt if not careful. Athletes find themselves with large sums of money in a short amount of time which can be tempting to spend on big and flashy purchases (i.e. cars and mansions). Large player contracts have exploded from upwards of $6 million to $275 million, with signing bonuses for NFL players reported as high as $335k. Needless to say, at least some athletes have the ability to borrow large amounts of money through the use of elite credit cards, large mortgages, and multiple car loans.

Debt for athletes, and the rest of us for that matter, usually comes in the form of credit cards, mortgages, and car loans. Although professional athletes are swiping their elite black cards and taking out mortgages of $500k or more, sometimes on multiple houses, we all experience certain pitfalls. Over-borrowing is a rampant issue for athletes; many admit their first purchase with their new money is to buy a house for their mother and a mansion for themselves. While generous, this can have lasting consequences. Next thing they know, they have five mortgages, 60 cellphones bills, and 18 car loans. Aside from athletes living beyond their means, many athletes do so without even realizing their mistakes due to a lack of understanding regarding their expenses. Often times, athletes believe that if their contract is for $1 million, they will receive it in its entirety. However, what they have overlooked are the deductions from that amount. These deductions, or expenses, include taxes, agent expenses, relocation expenses, and all other bills.

One of the major problems for athletes, as well as the general public, is a limited financial literacy foundation. A lack of financial education is not uncommon in today's world. Many athletes don't even know how to cash their paychecks. One famous story is of an MLB player that was given his first paycheck of $1 million in the form of a check. Sometime later the team accountants realized that the check had not cleared. After a quick phone call with the athlete, it was apparent that he had been so excited, he had framed the check, not knowing he would need to cash it in order to receive the money.

Another pitfall includes accidental tax evasion. Athletes are required to pay taxes in every state and country within which they have played. This means they have to be diligent in keeping track of their pay amount, date, and location.

Finally, understanding anticipated future expenses is pertinent to understanding future cash needs. As previously discussed, athletes' expenses for the future often require higher medical expenses due to long term damage of ligaments and tendons, as well as other various ailments. Most athletes don't prepare for this and can easy over-look potential future expenses.

Many athletes rarely think about retirement and often live in the moment – they've finally accomplished their dream of becoming a professional athlete, making millions of dollars, and becoming famous. While we don't expect the average person to become famous, or even make millions, it is easy to fall into the same trap as athletes: not planning for retirement because it seems so far off.

Debt: Lessons

Good debt vs. bad debt

Contrary to popular belief, there is such thing as good debt and bad debt. Good debt often includes student loans, mortgages, and reasonable car loans. Good debt functions in two ways: it allows you to invest in your future for higher expected earnings (i.e. college) and for some, it allows you to establish and build credit. Credit card debt is usually categorized as bad debt because it often times represents unnecessary purchases. For example, running up credit card bills buying furniture, flat screen TVs, and vacations are not financially savvy reasons for spending hard earned money. By not over-extending yourself, credit cards can help to build credit when used properly. One must be careful with the amount he charges to that little piece of plastic which can become a very large burden. As Rick Rule, Chairman of Sprott US Holdings states,

"when your outgo exceeds your inflow your upkeep becomes your downfall."

Credit Cards

Even though it is best to be prudent with your credit card purchases, it is near impossible to live in our society today without one. There is an elite group of credit cards available for those with good credit scores, and more often than not, high net worth. Most elite credit cards require high salaries and seek big spenders. While these elite credit cards offer celebrity treatment, including airport VIP passes, 24/7 customer service, personal travel agents, dinner and entertainment reservations, and reward points, they can bring with them high annual fees and APRs. Make sure to read the details of each credit card you have – often times they do not offer transparency. The true details of a credit card's benefits can be found in the fine print. Sometimes the credit cards that offer 1-2% back on groceries or travel will provide one with more long-term, quality benefits. In short, do not be lured into signing up for a credit card that has elite status just for the bells and whistles. Since these cards have higher maximum spending limits, it is easier to get into debt trouble from over-spending.

Multiple Mortgages and Car Payments

Mortgage payments have a funny way of sticking around for a while. The majority of mortgages, especially in current economic times, are 20- to 30-year fixed or variable interest rate mortgages. This means, if you're more than 30 years away from retirement, you've done a fantastic job by already having started saving for retirement. Additionally, you will most likely not have to worry about a mortgage payment throughout retirement. For the majority of us that are 10-15 years away from retirement and are only three years into a refinanced, 30-year mortgage, having taken advantage of lower interest rates, you will still have mortgage payments during retirement. Once your earned income no longer exists, these payments will still be required. Make sure to factor in these mortgage payments into your continued expenses, even after your paychecks stop. Car payments are just the same. Since you can only drive one car at a time, do you really need more than one or two? Try to be reasonable regarding car purchases, in order to help keep car loans manageable. Remember, the minute you drive that new car off the lot, it loses significant value which is opposite of the typical home purchase.

Budget

Many cash flow problems can be fixed, or at least realized, with a simple budget. A budget provides a list of your income/earnings less all of your expenses. Most likely, you will have a reasonable idea of what your income is for the year, although you might be surprised to find what your expenses are. In the beginning of forming a budget, it will be easier to write down the largest expenses (i.e. mortgage payments, utility bill, cable bill). As you continue to develop your budget, you will have a much better idea of your month-to-month expenses, giving you a more realistic picture of your cash flow.

Financial Presence

The number one lesson to be learned based on the hindsight of these athletes is to be present, both physically and mentally, at meetings with financial advisors and the like. Have a hand in your own finances, after all, it is your money. Know what your bills are; look at your bank and credit card statements. It is prudent to pay attention to one's current financial situation as this is one way to learn of the requirements for successful retirement.

Spending

Keep in mind, it doesn't matter how much money you make, it matters how much money you spend. Overall, living beyond one's means and accumulating large amounts of debt can significantly alter the amount of money needed for a similar lifestyle in retirement. Significantly less income is needed in retirement with little to no debt. If you can, do your due diligence and have a plan for paying it off.

Vultures

Many athletes feel pressure to help family members and friends once they've "made it." As mentioned previously, one of the first purchases of all professional athletes is buying their parents a house. Since their family and friends were the people who knew them before their fame, they feel entitled to the athlete's success and go to them for money, expecting pay outs. Athletes often feel obligated to help these friends and family members. Additionally, athletes are rarely without their entourage, or group of friends, for which they provide clothing, food, housing, and other luxuries. Some professional athletes fully fund these people as well as themselves. One of the most dangerous ways family and friends can ruin the wealth, and life, of their profession athlete son is to take advantage of his wealth through unofficial or vague private investments.

Athletes are especially enticed by investments such as restaurants, car dealerships, or night clubs. However, this creates a misallocation of money for the athlete's portfolio – weighted much heavier towards private investments which carry higher risk. Often times, these private investments do not get past the initial investment. Along with poor or no allocation of their money, athletes become targets for women.

Creative blogs keep tabs on athletes and alert women of certain players whereabouts on any given night. Shockingly, women throw themselves at these players for a chance to get pregnant by or marry a professional athlete. Within a couple months, the athlete's bank account is drained from excessive spending, money transfers, or child support payments. The likely outcome? Divorce rates for professional athletes range from 60-80%. With divorce settlements costing athletes up to $105 million, this is a serious risk for them. The timing of divorce is also important. Often, the divorce takes place once the athlete is in retirement – no longer accumulating peak earnings. Unfortunately, the divorce happens due to a large shift in lifestyle. Retirement planning is a great solution to this risk. Included in retirement planning is estate planning. Similar to everyone else, athletes fear estate planning – especially wills because it requires acknowledgement of death.

To end this section about vultures, we turn to another example of the true dangers in life. We offer a story from the book *Made to Stick*, written by Chip and Dan Heath. This story focuses on the shift in trust when it came to children and Halloween candy. In the 1960s and 1970s an epidemic of fear spread across the nation about drugged Halloween candy. Rumors spread that strangers (i.e. your neighbors) were lacing brownies with drugs and sticking hypodermic needles into Halloween goodies – wanting to hurt children they didn't even know. However, according to *Made to Stick*, police reports from 1958 to 1985 show only two deaths of children from contaminated Halloween candy. Both deaths were caused by family members. One child found his uncle's heroin stash and overdosed; the other was poisoned with cyanide by his own father. What is the moral of this story? It is not the stranger or neighbor down the street that has a higher probability of hurting you; it is your friends and family – those that are closest to you.

Vultures: Lessons

Expect the unexpected

We believe it is most likely that what you have in common with these athletes in regards to relationship risk is the probability of a divorce. Even though no one wants to think about having a failed relationship, it is important (and prudent) to understand the risks involved in a divorce. Since finances are the number one fight among couples, planning for expected expenses such as college and mortgages can help to lessen their impact. Additionally, planning for retirement, before you get there, can help to lessen the "shock" of no longer having an earned income and being forced to change your lifestyle. If you plan for retirement correctly, you can avoid surprises and preserve your current lifestyle.

While we don't expect you to win multimillions of dollars in the lottery, it is reasonable to assume you could receive inheritance when your loved ones pass. Planning for the future should include finding a trusted and accredited financial advisor. This includes planning your own estate.

Allocation of funds

Misallocation happens for many people for a variety of reasons, including limited investment knowledge. The proper allocation for you depends on your current situation, risk tolerance, age, debt level, and many other factors. Generally speaking, you should consult a financial advisor to set up the appropriate allocation model for you. Make sure to find an allocation that works with your individual liquidity needs.

Be careful who you trust

It is important to surround yourself with people you feel comfortable around and who you trust. Although often times the people we trust the most are family members, make sure to think carefully when it comes to your family and money (unfortunately, inheritance battles between family members happen daily – and are often unexpected). Finally, know when it is okay to say "no." This includes saying no to family and friends if that is what the situation calls for. This is your life, your money, your decision.

Get the Right People for the Job

Athletes often just want to focus on what they know and love: playing their sport. Finances, taxes, and expenses often do not even register because that is not their focus. This leads athletes into accepting offers from agents that claim they can adequately handle everything. Allowing the agent to take care of all aspects of an athlete's life makes just about as much sense as trusting a plumber to do your roof work. While the agent is most likely a great agent, that does not make him a great financial advisor, accountant, or real estate agent. Along with allowing their agents to take care of everything, athletes also fall victim to trusting the wrong person to take care of their financial advising. Similar to our topic above, regarding who to trust, entrusting family members or friends to do your finances or taxes is usually a poor choice. When an athlete is so far removed from the activity in and out of his bank account, it will be difficult for him to monitor everything.

Athletes are also subject to "white collar" criminals looking to swindle them out of money with higher than average fees, outrageous commission, and/or poor investment choices. Many athletes have lost money to bad financial advisors, 'friends', and bad investments but are too embarrassed to say anything, and therefore do not learn from others mistakes. This leads to a silence that opens up others to similar mistakes.

Fraudulent advisors are unfortunately more common than would be expected; many have criminal backgrounds and history of drug use. To catch your attention and make you feel less alone, here is a story about an athlete paying way too much for auto insurance. The athlete was paying a guy in the Dominican Republic $5,000 a month for car insurance for two cars. A teammate of his, paying $250 a month for car insurance for three cars, found out and informed the former athlete of the rip off – the former athlete had been paying $5,000/month for about 18 years. Stories such as this should be shared so athletes can learn from others experience; instead, athletes are too embarrassed to say anything and so stealing money through white collar crimes continues with new criminals and new, naïve athletes.

Get the Right People for the Job: Lessons

Do your homework

As an extension of who to trust, it is important for you to do your homework. What can you learn from these athletes, or, other people who have been abused by financial advisors? For example, does Bernie Madoff ring a bell? Find a qualified financial advisor that shares similar interests, economic and monetary views as you do. Make sure to build a relationship with your advisor and meet regularly to make sure you are on the same page. In the end, your advisor is handling your hard earned money, but you are the one who has everything to lose. Do your homework, check the advisor's credentials, know how the advisor makes money (fees, commissions, etc).

Pack your own parachute

In the end, this is your money. It is up to you to make sure it is managed correctly, whether by you, or by someone else. Planning for retirement, understanding your expenses, and researching investment decisions, all require work and if done so correctly is a full time job. Allow yourself the greatest chance for financial success by putting in some sweat equity hours on building your financial literacy foundation. You don't need to be an expert in the field, but if you aren't able to create a budget or tell the difference between good and bad debt, who will teach your children?

Too Good To Be True

There is truth behind most cliché sayings. When it comes to investing, err on the side of caution and assume that the cliché sayings are correct. In this instance, when an investment sounds too good to be true, it is. Many athletes have fallen victim to people claiming 25, 30, even 35% returns with an investment product. While we will not say for sure that this cannot be done (we've seen it happen), the likelihood that a new investment product will earn 35% return in one year is extremely slim. Instead of trying to find that one investment that is too good to be true, turn your goals into investing over the long-term for reasonable returns.

Conclusion

We are surrounded by a society which idolizes professional athletes and celebrities in regards to their work, personal relationships, style, and spending habits. In a culture that promotes wealth and luxury, it is easy to get caught up in the hype of new fashion styles, extreme diet fads, and flashy investments products. Our privacy has evaporated with the increasingly personal social media outlets and the line of real and imaginary is being blurred. This white paper discusses athlete spending habits and financial pitfalls in an attempt to allow you to notice the very real similarities between their stories and your life. We've ridden an economic roller coaster since the early 1990s with the Dow Jones Industrial Average spiking from 2,611 to 11,497, and the internet and real estate booms. History proves there are no signs that our economic and financial roller coaster will stop anytime soon, and our recommendation is to learn to live with our current and ever-changing reality. How do you learn to live in a world with constantly moving pieces? The first step is to understand that there are multiple variables shifting around in your life as well as multiple variables shifting in the macro environment in which your life exists. Everyone has different variables, and it can be overwhelming to keep track of them without being organized. We suggest planning ahead by creating a budget, knowing where your risks exist, and reflecting on your personal situation. Reflecting on your personal situation includes knowing yourself as an investor. Knowing where your strengths are will help you to understand what aspects of your financial literacy need to be developed. Many options exist for strengthening your financial literacy including seminars, online blog reading, financial magazine reading, tuning into the news, and simply staying abreast of current events, international and domestic. We encourage all of this financial education. Planning ahead also includes tailoring your situation to the phase of your career. Financial planning in the accumulation stage of your life will be different than the preservation stage. The amount of money you have differs in each of these phases and you are exposed to different types of risks. For example, divorce often happens at the end of accumulation or the beginning of preservation of wealth – this certainly has an impact on your financial future and retirement. Keep in mind the difference between good and bad debt when spending your money, and remember to trust those that handle your money. Our final recommendation is quite simply to stay involved. Again, this is your hard-earned money and you have the most to lose if it is miss-handled. Planning ahead will not solve all problems, but it will help to give you a road map that can guide you down a path toward retirement.

Credit

We would like to make sure we give credit where credit is due. We pulled stories and some statistics with the help of the Sports Illustrated article *How (and Why) Athletes Go Broke*, as well as ESPN's *30 for 30: Broke* video. As mentioned in the paper, we also used the insight of Herm Edwards, Tom Dorsey, Rick Rule, and Chip and Dan Heath.

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