

The Value in Value-Added Services

How Sports Agents Can Generate Million-Dollar Incomes

Sports agents face an extremely competitive market. While many have the ability to increase their revenue by signing top athletes, value-added services offer perfect opportunities for agents to increase earning potential and strengthen relationships with clients.

October 2011

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Rothstein Kass

Our national obsession with professional sports spans generations and geographies, unifying fans that represent a full spectrum of socioeconomic, ideological and personal backgrounds in support of the home team. Historically, the loudest cheers were reserved for those who embodied the unconquerable American spirit – blue-collar, hard-nosed champions who persevered even in the face of extreme hardship.

As professional sports have evolved from appealing pastimes to become multibillion-dollar industries, they have brought substantial wealth and provided many athletes with unprecedented opportunities to develop strong personal brands. “Retired” athletes have gone on to successful careers as politicians, authors, entrepreneurs and philanthropists. A select few are now owners of professional sports franchises themselves. As the line between “athlete” and “entertainer” grows indistinguishable, now more than ever, financial or reputational missteps can have a swift and damaging impact on long-term plans. Athletes are increasingly relying on their agents to mitigate these risks.

For many agents, the business of sports is as exhilarating as the thrill of competition is for athletes. The evolution of the business has afforded innovative agents with an opportunity to expand the client service model beyond contract negotiations and act as dedicated caretakers of the athlete’s personal brand. Our latest research, “The Value in Value-Added Services,” draws on the insights of our Family Office Group and the results of an extensive survey of active sports agents to better define the industry’s scope and influence. From our findings, those embarking on a career in the field can better chart a course to success – one that leads to a true partnership between the agent and the client.

Agents typically play a critical role at milestone events in their clients’ careers, particularly in relation to contract signings. The unparalleled access agents enjoy during these life-altering moments can allow them to introduce advanced planning aspects to the athlete’s life plan, helping them become more focused on the business aspects of their careers.

We hope that you will find our latest research engaging and informative, and encourage you to contact us if you would like to discuss findings in greater detail.

Sincerely,

A handwritten signature in black ink that reads "Rick Flynn". The signature is written in a cursive, flowing style.

Rick Flynn
Principal and the Head of the Rothstein Kass Family Office Group
Rothstein Kass

The Value in Value-Added Services

How Sports Agents Can Generate Million-Dollar Incomes

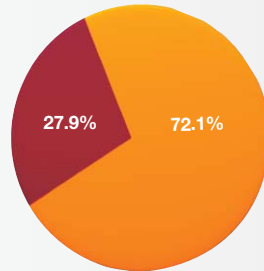
- The sports agency business is under pressure – there is general consensus that it will become increasingly difficult to recruit new athletes.
- What is essential is that agents make informed decisions concerning which value-added services to offer and the optimal way to deliver them.
- Competition for clients is expected to intensify as the number of people becoming agents will meaningfully increase.
- These decisions are best made with the agent’s personal financial goals as the primary consideration.
- These conditions will pressure agency fees.
- Meanwhile, agents are generally looking to earn more. Few know how to accomplish this goal.
- Aside from sourcing and working with more successful athletes, the answer lies in delivering value-added services and being duly compensated for providing them.
- Value-added services will be more important going forward in order to recruit new athletes, maintain existing clients and generate additional revenues. Examples of value-added services that agents are delivering include:
 - Personal coaching
 - Financial services and products
 - Branding support
 - Advanced planning
 - Non-sports contracting legal support
 - Business venture support
 - Administrative services
 - Lifestyle services
 - State and local tax consulting
 - Federal tax minimization strategies

Income and Wanting More

In 2011, we surveyed 219 sports agents with the objective of identifying key trends impacting their business and best practices. Evidence now indicates that the sports agency business is in transition because of a number of factors. Simultaneously, there is a distinct division between successful agents and those striving for success.

There are many ways to judge success. For the purposes of this survey, we define success as *wealth*. In this study, we used income as the sole measure of success. In our survey of sports agents, 72% earned less than US\$250,000 in 2010 (Exhibit 1). The remainder of the sample earned more – often substantially. This clearly illustrates the broad range of earning power among sports agents, excluding the “superagent.”

Exhibit 1
Income Segments



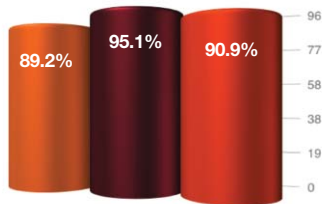
<US\$250,000	72.1%
US\$250,000+	27.9%

N = 219 sports agents

Not surprisingly, nine out of ten sports agents want to earn more than they are currently earning (Exhibit 2). The more successful agents (as defined by 2010 income) are more inclined to want even greater success than less successful agents.

Regardless of income, our research reveals that nearly all sports agents are unsure how to amass greater wealth (Exhibit 3). This was marginally more evident among the agents earning less.

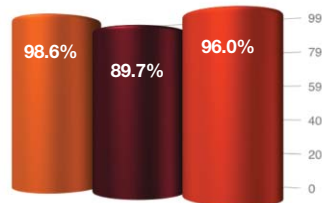
Exhibit 2
Want to Earn More



<US\$250,000	89.2%
US\$250,000+	95.1%
Weighted average	90.9%

N = 219 sports agents

Exhibit 3
Unsure How to Become Wealthier



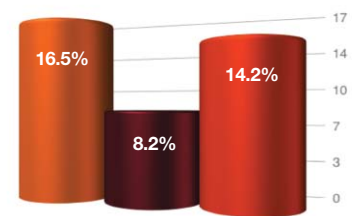
<US\$250,000	98.6%
US\$250,000+	89.7%
Weighted average	96.0%

N = 199 sports agents

“Pop culture portrayals and the prominence of the ‘superagent’ contribute to the allure of the sports agency business by creating the impression that the career offers a life of glamour and luxury. While the lifestyle is certainly an important part of the appeal, the reality is that life as a sports agent is actually very demanding. Sports agents face many of the usual challenges associated with working with wealthy individuals, including long hours at work, extensive travel and intense competition for clients. They also typically are involved in aspects that are more unique to working with famous clients, from managing a personal brand to maximizing earnings to personal security. When it comes to being fairly compensated for their services, however, sports agents lag other segments of the professional services industry,” said Rick Flynn, a Principal and head of the Family Office Group at Rothstein Kass. **“With this in mind, it was not surprising to learn that the vast majority of agents are seeking to enhance profitability. One proven strategy is to introduce ‘value-added’ products and services that leverage the agent’s standing as a trusted consultant, thereby strengthening existing relationships and creating more robust offerings that will help attract new clients.”**

Despite the uncertainty regarding exactly how they will become wealthier, the industry believes it is up to the challenge. Less than 15% of sports agents expect to earn less over the next three years (Exhibit 4). Those agents earning less than US\$250,000 are proportionately more likely to expect to earn less.

Exhibit 4
Expect to Earn Less Over the Next 3 Years



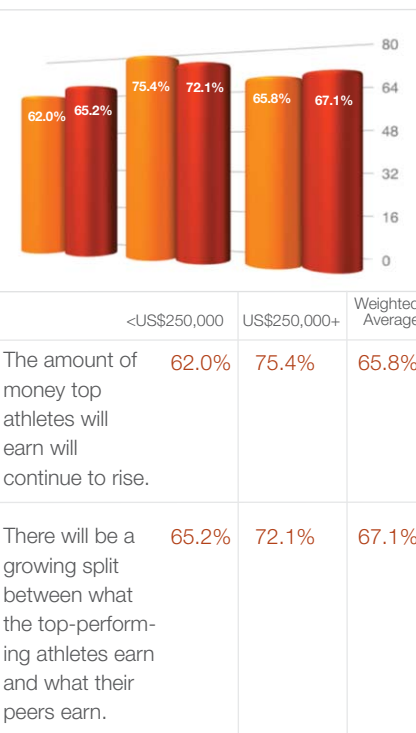
<US\$250,000	16.5%
US\$250,000+	8.2%
Weighted average	14.2%

N = 219 sports agents

“Our research appears to highlight a disconnect between agents’ uncertainty about how precisely to increase earnings and their optimism regarding their ultimate ability to do so. In fact, fewer than 15% of agents expect to earn less over the next three years. Certainly, the pervasive confidence exhibited by sports agents is an asset in a sector where rejection is commonplace. Our findings are consistent with a mature population that has achieved the scale and stability necessary to establish a foundation for growth. In weighing which value-added services will best support that objective, it is important to evaluate how increased revenues would shape the agent’s broader wealth management strategy and how new services will impact lifestyle considerations,” said Mr. Flynn.

One contributing factor to optimism among sports agents is the aggregate earnings potential of their clients. In spite of ongoing labor disputes, agents expect the incomes of top athletes to rise (Exhibit 5). They also anticipate increased bifurcation among professional athletes as the elite athletes pull away from the rest of the population to earn multi-year, multimillion-dollar salaries and signing bonuses.

Exhibit 5
Athletes’ Earnings



N = 219 sports agents

“It has been said often that sports is a metaphor for life, a notion that arises in part from the stark contrast between winners and losers, and the intensity of competition. The comparison seems especially apt when applied to the world of sports business, where the compensation earned by elite athletes greatly exceeds that of their peers. The monetary rewards for exceptional performance can be used to build a powerful personal brand that endures beyond their athletic careers,” said Michael Dolan, Editor-in-Chief of Athletes Quarterly. **“In spite of this, there are continual reports of riches-to-rags stories featuring athletes who have apparently squandered vast fortunes. While each instance is uniquely tragic, a common thread is the failure to plan adequately for the next phase of their careers during peak earning periods. Life-altering events such as the signing of a lucrative multi-year contract by a client is a rare opportunity for the agent to build a partnership with a client, thereby enabling both to embark on a path to a prosperous future. In recent years, the emergence of the ‘celebrity family office’ model is compelling agents and their clients to adopt a more unified approach to wealth management.”**

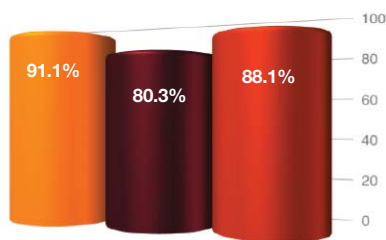
In conclusion, the agents surveyed want to earn more but are not sure how to do so. Research supports the logical conclusion that working for the top athletes is an effective, if obvious, way to boost income. However, the practicality of this strategy is questionable, with barriers to entry low and competition intensifying. To gain a better understanding of the attributes required to be successful, we surveyed agents for their perspectives on the future of the agency business.

The Future of the Agency Business

Although most agents expect to increase their earnings over the next three years, they recognize the significant hurdles ahead. Topping the list is the ability to sign new clients (Exhibit 6). Concern about recruiting new athletes is more evident among the less affluent agents surveyed but consistently high across the board. Results show several clear distinctions between the income segments regarding what it will take to attract new athletic talent. In the following section, we will address some of these differences in detail.

Exhibit 6

It Will Become Increasingly Difficult to Recruit New Athletes



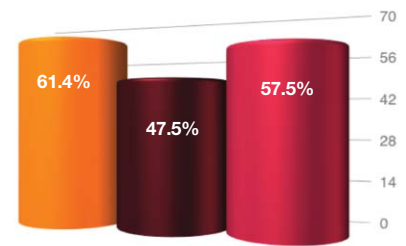
<US\$250,000	91.1%
US\$250,000+	80.3%
Weighted average	88.1%
N = 219 sports agents	

“In any highly competitive industry with low barriers to entry, client acquisition can be problematic. There remains no substitute for a healthy referral network. For sports agents, this entails maintaining close ties with athletes, coaches, and team and league representatives,” said Mark Hutchison, a Principal in the Rothstein Kass Family Office Group. **“Quality and scope of services also become key differentiators in a saturated market. In introducing new services intended to generate increased revenues, many agents are forming alliances with outside service providers who have specialized expertise. Again, the celebrity family office model holds appeal for its potential to align brand and wealth management aspects under an integrated strategy while also assuming supervisory oversight of these distinct but interrelated functions.”**

There will be a lot of reasons for this, including an influx of new people becoming sports agents (Exhibit 7). Overall, almost 60% of the agents see more competitors on the horizon. Meanwhile, those earning less are more inclined to see a deluge of new competitors.

Exhibit 7

There Will Be an Influx of People Becoming Sports Agents



<US\$250,000	61.4%
US\$250,000+	47.5%
Weighted average	57.5%
N = 219 sports agents	

“For decades, if you asked a collection of young children what they wanted to be when they grew up, a great many would, without reservation, choose ‘professional athlete.’ Over time, harsh reality extinguishes that aspiration for most but does not diminish their passion for sports. Today, if you asked a group of recently enrolled college students what career they would most like to pursue after graduation, ‘sports business’ would be a popular response. How they get there is largely dictated by personal interests, as the sports business community continues to draw talent from across a diverse range of industries and professional backgrounds. Most are dedicated, energetic, aggressive and highly competitive – characteristics that have traditionally facilitated success,” said Mr. Dolan.

What is also evident is that the sports agency business is extremely fragmented, a condition that is expected to persist. In spite of the strong brand recognition and stable of clients that these firms often enjoy, larger firms or boutiques are not expected to dominate the industry (Exhibit 8A). Those with higher earnings were less inclined to predict the dominance of the agency model. Also, agents do not anticipate an industry “shakeout,” where consolidation and attrition would result in meaningfully fewer firms left to service the space.

Agents do not see non-agent competitors encroaching on their business in a significant way. In many professional services environs, the relationship between the professional (i.e., the agent) and the client (i.e., the athlete) supersedes the attractiveness of the organizational platform.

In any highly fragmented and competitive industry, basic principles of supply and demand create fee pressure. Among the agents surveyed, the overall perception remains that over the next three years there will be pressure to cut fees for both current and new clients (Exhibit 8B). Again, a marginally higher percentage of agents earning less than US\$250,000 anticipate fee compression.

**Exhibit 8A
A Fragmented Industry**

	<US\$250,000	US\$250,000+	Weighted Average
The larger diversified agencies will generally sign the best athletes.	21.5%	9.8%	18.3%
Boutique firms will dominate the industry.	18.4%	6.6%	15.1%
There will be a “shakeout,” with very few agencies having most of the clients.	10.1%	4.9%	8.7%
Agencies will be cut out of the business and replaced by other professionals.	16.5%	8.2%	14.2%

N = 219 sports agents

**Exhibit 8B
Fee Pressure**

	<US\$250,000	US\$250,000+	Weighted Average
Agents will be increasingly pressured to cut fees for current clients.	83.5%	72.1%	80.4%
Agents will be increasingly pressured to cut fees for new clients.	88.6%	77.0%	85.4%

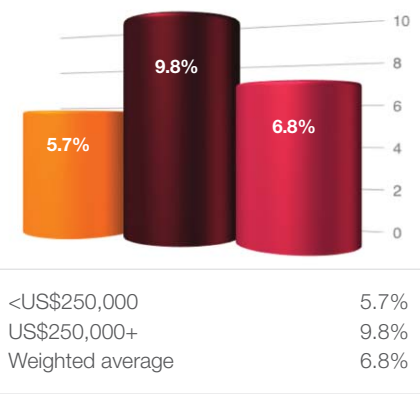
N = 219 sports agents

“As our research suggests, most agents – like their clients – are results-oriented professionals who are extremely focused on bottom-line considerations. Maximizing profits is not strictly a financial goal but also a way of keeping score. The overhead costs and relationship-driven nature of the business are among the obstacles to building a successful agency. The athlete’s relationship is essentially with the agent, not the agency. This can make retention difficult in the event of staff departures and create the impression that the agency is actually training its own competition. By and large, this is a business that demands streamlined operations to push margins of profitability to attractive and sustainable levels,” said Mr. Hutchison.

“Fee pressure among sports agents is a persistent condition, so there is little long-term benefit to competing on price. The profession’s appeal and the limited number of potential clients guarantee that there will always be more candidates seeking careers than the industry will support. These aspirants represent an almost limitless array of professional and personal backgrounds, meaning that there is often great disparity in the quality, scope and pricing of services provided. This environment inherently breeds mistrust among potential clients,” said Mr. Flynn. **“Sports agents contemplating the introduction of new service lines need to implement and maintain a simple and transparent fee structure. Providing services from a menu of options is another model that some agents have effectively employed.”**

While agents expect fee pressure over the next few years, very few of them are anticipating a shift from fee-based models to fixed-retainer structures (Exhibit 9). Such a transition would generally drive down agent incomes and is thus considered an anathema in the business.

**Exhibit 9
Fees Will Migrate From Percentages to Fixed Retainers Over the Next 3 Years**



N = 219 sports agents

“Over the years the word ‘agent’ has taken on new meaning, conjuring images of the slick, well-dressed, perhaps somewhat abrasive gentleman shouting contract numbers into his headset. Some of this reputation may be earned, but, those with staying power act in the more traditional sense of the word. Agents are extensions of their clients, acting on their behalf and in their best interests. The best sports agents achieve status that goes beyond trusted advisor, to a point where interests are so harmoniously aligned that they are, in essence, minority partners in the personal brand. The retainer model is counter to this concept and makes it more difficult for agents to be fairly compensated for the commitment that is required to reach this level,” said Mr. Flynn.

“One might glance at the high incidence of agreement regarding the need to be compensated for services provided and be dismissive. After all, who would not agree that this is an essential and fairly obvious element of doing business? Our numbers suggest, however, the existence of a small minority of agents who are content to limit service offerings to contract negotiations and have found a balance that works for them. The majority of agents, however, are seeking to build on the foundation of trust that they have established to deepen and broaden the client relationship. More are finding that their clients are responding to the celebrity family office model, where the executive director acts as the quarterback for a team assembled to support long-term objectives. Sports agents are increasingly coordinating with family offices, particularly as they introduce financial services support and products to their clients,” said Mr. Flynn.

Going forward, to be successful as a sports agent will require some constructive business modifications (Exhibit 10). About four out of five agents expect that they will need to be compensated for the array of services they provide in order to maintain their clientele. Agents also expect that they will need to expand the scope of services they provide. The ability to provide more value-added services will increase in importance. One high value-added area where agents see opportunity to deliver value and grow profit is in the financial services space.

Exhibit 10

Changing Agent Requirements Over the Next 3 Years

	<US\$250,000	US\$250,000+	Weighted Average
To be financially successful, agents will need to be compensated for the services and expertise they provide beyond contract negotiations.	77.2%	83.6%	79.0%
The ability to provide more and higher quality value-added services will become increasingly important.	57.6%	91.8%	67.1%
More and more sports agents will provide financial services and products to their clients.	57.6%	85.2%	65.3%

N = 219 sports agents

Value-Added Services

To recap, our research shows that most sports agents are committed to earning more. The big stumbling block is that they don't know how. Clearly, working with more successful athletes is one answer. However, with the best athletes expected to pull away economically from their peers combined with a steady influx of people seeking careers as sports agents, it will be harder than ever for an agent to land premier clients.

These conditions have not prevented many agents from building careers that produce seven-figure annual incomes. The key is to adopt a business model that goes beyond the traditional agency formula. Such an approach is predicated on providing value-added services. For sports agents, value-added services deliver three results:

Signing new clients. As noted above, the perception is that recruiting new athletes will become more arduous, and these ancillary services can be a deciding factor in winning over prospects.

Maintaining clientele. With competition likely to intensify, it is shortsighted to compete on price. Forming a more extensive partnership with clients offers added opportunities to demonstrate value.

Earning additional revenues. There are proven strategies for converting these services to fee-based revenues. Over time, value-added services can become profit centers for an agent.

To move in this direction, it is important to understand what value-added services are being provided and who is offering them. For that reason, we examined a number of types of value-added services, including:

- Personal coaching
- Financial services and products
- Branding support
- Advanced planning
- Non-sports contracting legal support
- Business venture support
- Administrative services
- Lifestyle services
- State and local tax consulting
- Federal tax minimization strategies

Across categories, proportionately more agents with greater incomes provided the services in question. In some cases, agents indicated that the service offering had translated into greater revenues. In other instances, providing the service had further solidified the professional relationship they enjoy with their clients. A more detailed analysis of most of these sets of value-added services follows.

Personal Coaching		Exhibit 11 Personal Coaching		
<p>Personal coaching, broadly defined, occurs when agents assist athletes in evaluating various issues and matters in their lives that are not necessarily career related (Exhibit 11). Nearly 70% of the agents surveyed indicated that they provide non-athletic career coaching. A quarter of agents provided life coaching, while less than 5% delivered spiritual/religious guidance.</p>		<US\$250,000	US\$250,000+	Weighted Average
	Non-athletic career coaching	63.9%	82.0%	68.9%
	Life coaching	14.6%	50.8%	24.7%
	Spiritual/religious guidance	1.9%	9.8%	4.1%
N = 219 sports agents				
Financial Services & Products		Exhibit 12 Financial Services & Products		
<p>In many situations, the most likely profitable set of value-added services involved providing financial services and products (Exhibit 12). About 40% of the agents engage in sourcing loans for athletes. About a quarter are delivering disability insurance. A little more than a fifth of the agents are involved in providing life insurance. Fewer agents are addressing investment management needs or property and casualty insurance needs directly.</p>		<US\$250,000	US\$250,000+	Weighted Average
	Personal or professional loans	27.2%	80.3%	42.0%
	Disability insurance	19.6%	42.6%	26.0%
	Life insurance	17.1%	36.1%	22.4%
	Investment management	13.9%	31.1%	18.7%
Property and casualty insurance	7.6%	21.3%	11.4%	
N = 219 sports agents				
Branding Support		Exhibit 13 Branding Support		
<p>An athlete with a meaningful brand can generate significant revenues outside of his or her sport and after retirement. Many agents are helping athlete clients capitalize on these opportunities (Exhibit 13). About 30% of agents overall, and an even higher percentage of agents in the higher income bracket, report that they are currently helping athletes create a marketable brand. More than a quarter are assisting with public relations matters, and 20% are working with clients to build an online presence. Just over 15% of agents surveyed are delivering media training to their clients.</p>		<US\$250,000	US\$250,000+	Weighted Average
	Helping athletes create a marketable brand	18.4%	54.1%	28.3%
	Assisting with public relations	16.5%	54.1%	26.9%
	Building a web and online presence	12.0%	42.6%	20.5%
Providing media training	10.1%	32.8%	16.4%	
N = 219 sports agents				

“Our research clearly indicates that a majority of athletes are not focused on the business aspects of their careers, opening the door to exploitation and limiting post-retirement options. This is almost always a factor in cases where successful athletes encounter financial hardship later in life. These situations are made more tragic because they are almost always avoidable. Some agents have had a profound impact on the lives of their clients by providing personal coaching. In addition to helping their clients avoid the pitfalls and trappings of sudden wealth and fame, agents help athletes appreciate the opportunities that are associated with an elite personal brand,” said Mr. Flynn.

“Agents in the lower income subset fill a utility role that goes well beyond contract negotiations and are far more likely to be involved in the personal finances of their clients. With that in mind, a strikingly small percentage currently help athletes source personal loans. Providing these services affords agents an opportunity to cross-market higher-margin products, and to gain perspective on whether clients are behaving in a financially responsible manner and not living above their means, better supporting a unified client approach,” said Alan Kufeld, a Principal in the Rothstein Kass Family Office Group.

“Many modern athletes are not aware that just a few decades ago most professionals had to work at another job in the off-season just to make ends meet. This year alone, several prominent athletes have expressed interest in someday owning a professional franchise. A goal that was once laughable is now within reach. The day may soon arrive when agents are negotiating contracts to include minority ownership stakes in the franchise for their clients post-retirement,” said Mr. Dolan. “Achieving this level of success requires a rare blend of attributes – charisma, motivation and financial acumen, among them. The adage about building a reputation over a career and destroying it in seconds is even truer today, as digital media and a 24-hour news cycle have changed the nature of sports media. Agents are increasingly involved in branding and marketing roles, helping their clients balance privacy concerns with the imperative to build awareness and generate buzz.”

<p>Advanced Planning</p>	<p>Exhibit 14 Advanced Planning</p>			
<p>High-end, sophisticated personal, legal and tax planning are high-margin services that can be very profitable to agents while providing tangible benefits to clients. However, due to the complexity of advanced planning functions, very few agents are currently delivering the full array of advanced planning services required (Exhibit 14). Only about a quarter of agents are coordinating estate and charitable planning. Just over 10% are delivering income tax planning, with roughly 6% facilitating cross-border financial planning. Less than 5% provide asset protection planning.</p>		<US\$250,000	US\$250,000+	Weighted Average
	Estate planning	19.6%	37.7%	24.7%
	Charitable planning	16.5%	45.9%	24.7%
	Income tax planning	7.0%	23.0%	11.4%
	Cross-border financial planning	1.3%	18.0%	5.9%
	Asset protection planning	1.9%	9.8%	4.1%
	<p>N = 219 sports agents</p>			
<p>Non-Sports Contracting Legal Support</p>	<p>Exhibit 15 Non-Sports Contracting Legal Support</p>			
<p>A significant percentage of agents provide assistance to clients on legal matters unrelated to contract negotiations (Exhibit 15). For example, about a quarter assist with child support negotiations, with a similar number offering support on family and marital law matters. Approximately 13% report that they manage litigation on behalf of a client, and 11% indicate that they are involved in managing criminal complaints for their clients.</p>		<US\$250,000	US\$250,000+	Weighted Average
	Assistance with child support negotiations	13.9%	52.5%	24.7%
	Addressing family law matters	12.0%	54.1%	23.7%
	Addressing marital law matters	11.4%	50.8%	22.4%
	Managing litigation on behalf of the athlete	4.4%	36.1%	13.2%
	Managing criminal complaints on behalf of the athlete	5.7%	26.2%	11.4%
<p>N = 219 sports agents</p>				
<p>Business Venture Support</p>	<p>Exhibit 16 Business Venture Support</p>			
<p>While many athletes want to establish successful business ventures outside of their athletic careers, relatively few agents are actively assisting in this area (Exhibit 16). Only about 17% of agents are involved in arranging licensing deals, for example. Less than 10% are engaged in business consulting for new ventures, and fewer still provide any form of business investment analysis.</p>		<US\$250,000	US\$250,000+	Weighted Average
	Arranging licensing deals	10.1%	36.1%	17.4%
	Business consulting for new ventures	4.4%	21.3%	9.1%
	Private business investment analyses	0.6%	18.0%	5.5%
<p>N = 219 sports agents</p>				

“For obvious reasons, the team concept resonates with athletes. This is true even of athletes who participate in individual sports, as they are accustomed to the support of trainers, coaches and family. For most athletes, however, no unit is tighter than family. The devastating consequences of a lack of attention to advanced planning functions are often compounded by their impact on clients’ families. A good way to get clients to start thinking about estate planning and asset protection is to get them talking about their family goals and aspirations,” said Mr. Kufeld. “Once the client has adopted a unified approach to advanced planning, it is important to update the strategy after each life-changing event, from the signing of a new contract to the birth of a child. Many athletes feel strongly about giving back to their communities. This approach also allows them the financial flexibility to maximize contributions without undermining the family’s future.”

“When working with wealthy populations, the role is rarely defined by the title. However, specialized skills such as legal training can be a huge advantage. Our past research has helped quantify anecdotal evidence that athletes are frequently targets of litigation. The pressures of the lifestyle can complicate family life, and agents with a legal background are often there to lend support, particularly among the higher income segmentation. Agents who do not have the capacity to personally assist in legal matters can still add value by helping to identify a network of trusted service providers, including law firms, and helping to manage these relationships from a centralized structure,” said Mr. Flynn.

“Whenever we publish our survey reports, people ask us what was most surprising about the results. While some of our other findings were somewhat unexpected, what stands out to me this time is just how few agents are providing business venture support. This could be a tremendously lucrative area, and these services are imperative to extending the duration of the professional relationship beyond the client’s athletic career. Our findings suggest that this is not a matter of agents leaving money on the negotiating table. Most do not have a seat at the table at all,” said Mr. Flynn. “As stewards of the athlete’s professional brand, agents have an obligation to make sure – at a minimum – that the client is pursuing legitimate business ventures that do not shortsightedly exploit his or her celebrity to the detriment of the overall brand.”

<p>Administrative Services</p>	<p>Exhibit 17 Administrative Services</p>																			
<p>Very few sports agents currently deliver administrative services such as accounting and bill paying (Exhibit 17). Only about 15% oversee or deliver accounting and tax returns, and still fewer agents provide bill paying services.</p>	<table border="1"> <thead> <tr> <th></th> <th data-bbox="1032 302 1170 338"><US\$250,000</th> <th data-bbox="1170 302 1308 338">US\$250,000+</th> <th data-bbox="1308 302 1482 338">Weighted Average</th> </tr> </thead> <tbody> <tr> <td data-bbox="591 338 1032 386">Accounting and tax returns</td> <td data-bbox="1032 338 1170 386">10.1%</td> <td data-bbox="1170 338 1308 386">24.6%</td> <td data-bbox="1308 338 1482 386">14.2%</td> </tr> <tr> <td data-bbox="591 386 1032 443">Bill paying</td> <td data-bbox="1032 386 1170 443">7.6%</td> <td data-bbox="1170 386 1308 443">26.2%</td> <td data-bbox="1308 386 1482 443">12.8%</td> </tr> </tbody> </table>		<US\$250,000	US\$250,000+	Weighted Average	Accounting and tax returns	10.1%	24.6%	14.2%	Bill paying	7.6%	26.2%	12.8%							
	<US\$250,000	US\$250,000+	Weighted Average																	
Accounting and tax returns	10.1%	24.6%	14.2%																	
Bill paying	7.6%	26.2%	12.8%																	
<p>Lifestyle Services</p>	<p>Exhibit 18 Lifestyle Services</p>																			
<p>There are a wide variety of lifestyle services. Herein, we consider three of the more commonly offered ones. Our findings show that as a group, agents are not very active when it comes to providing lifestyle services (Exhibit 18). Only 11% are providing personal security and contingency planning. A similar percentage delivers lifestyle concierge services, and only about 6% are sourcing private healthcare for their clients and their clients' families.</p>	<table border="1"> <thead> <tr> <th></th> <th data-bbox="1032 611 1170 646"><US\$250,000</th> <th data-bbox="1170 611 1308 646">US\$250,000+</th> <th data-bbox="1308 611 1482 646">Weighted Average</th> </tr> </thead> <tbody> <tr> <td data-bbox="591 646 1032 695">Personal security and contingency planning</td> <td data-bbox="1032 646 1170 695">5.1%</td> <td data-bbox="1170 646 1308 695">26.2%</td> <td data-bbox="1308 646 1482 695">11.0%</td> </tr> <tr> <td data-bbox="591 695 1032 743">Lifestyle concierge</td> <td data-bbox="1032 695 1170 743">5.7%</td> <td data-bbox="1170 695 1308 743">18.0%</td> <td data-bbox="1308 695 1482 743">9.1%</td> </tr> <tr> <td data-bbox="591 743 1032 810">Private healthcare</td> <td data-bbox="1032 743 1170 810">1.3%</td> <td data-bbox="1170 743 1308 810">18.0%</td> <td data-bbox="1308 743 1482 810">5.9%</td> </tr> </tbody> </table>		<US\$250,000	US\$250,000+	Weighted Average	Personal security and contingency planning	5.1%	26.2%	11.0%	Lifestyle concierge	5.7%	18.0%	9.1%	Private healthcare	1.3%	18.0%	5.9%			
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<p>Earning More and Value-Added Services</p>	<p>N = 219 sports agents</p>																			
<p>Basically, sports agents increase income by working with more and more successful athletes and/or by providing a broader menu of services for which they are appropriately compensated. In both these scenarios, value-added services can play a central role.</p>	<p>Whether agents want direct compensation for delivering value-added services or choose to leverage these offerings to build deeper relationships with high-end athlete clientele, the decision will be predicated on the needs and wants of the specific athlete's agent. There are many factors that need to be taken into account in making these kinds of business decisions.</p>	<p>If an agent wants to best capitalize on providing value-added services, he or she needs to adopt a framework for carefully thinking through a series of critical issues and making informed decisions. Exhibit 19 offers an elementary framework that sports agents can refer to in order to make informed decisions.</p>																		

“For agents, providing administrative services is a relatively low-margin business that necessitates a high degree of specialization. The opportunity to offer ancillary services by first developing an administrative relationship is outweighed by the possible reputational damage that could result from mismanagement of the function. With this in mind, most agents will elect to outsource administrative services to qualified providers. This greatly diminishes but does not eliminate risk. Agents must be confident in the credibility of their recommended service providers. In the event of an error, clients will make little distinction between the party responsible and the person who made the referral,” said Mr. Flynn.

“Lifestyle services still represent an underexplored but promising area for growing profits and add value by improving the client’s quality of life. That could mean facilitating day-to-day household functions or providing vitally important assistance with personal and family security matters. Private healthcare is an intriguing concept to both clients and agents for its potential to partially address one of the biggest downsides of an athletic career. During their careers, athletes in high-impact sports receive the best medical care, often allowing them to achieve superhuman results even when performing at less than 100%. Many are willing to sacrifice their long-term well-being in pursuit of athletic glory – and fans embrace them for this. Once athletes have retired, the physical toll can compromise both their health and their financial legacy. Private healthcare can improve this picture by offering a higher degree of preventive care and state-of-the-art treatment through access to top-flight physicians,” said Mr. Flynn.

Exhibit 19

Making Informed Decisions

The place to start is with an assessment of the agent's clientele. Here the agent conducts a critical wide-ranging analysis of the needs and wants of existing clients and how these goals are attainable. At that point, it's also helpful to develop preliminary evaluations of the types of clients that the agent would like to attract through adroit incorporation of various value-added services.

Once this analysis is complete, the agent needs to carefully and judiciously consider the array of value-added services that he or she might offer in light of his or her expertise and available resources. We have found that, often, the most effective way to conduct this process is to grid the various value-added services against the needs of existing clients, prospects and desired client types.

It is vital to detail the earnings that are likely to accrue from introducing or

enhancing various value-added service offerings. As noted, financial services and related products often represent the greatest potential for profitability due to the nature of the offerings and the relatively high margins.

Concurrently, agents have to conduct a business risk assessment with respect to the inclusion of possible value-added services. Basically, they need to understand the potential liabilities associated, including their impact on the sports agent's core business. Contingencies must be developed for addressing the probability of adverse events and the degree of intensity.

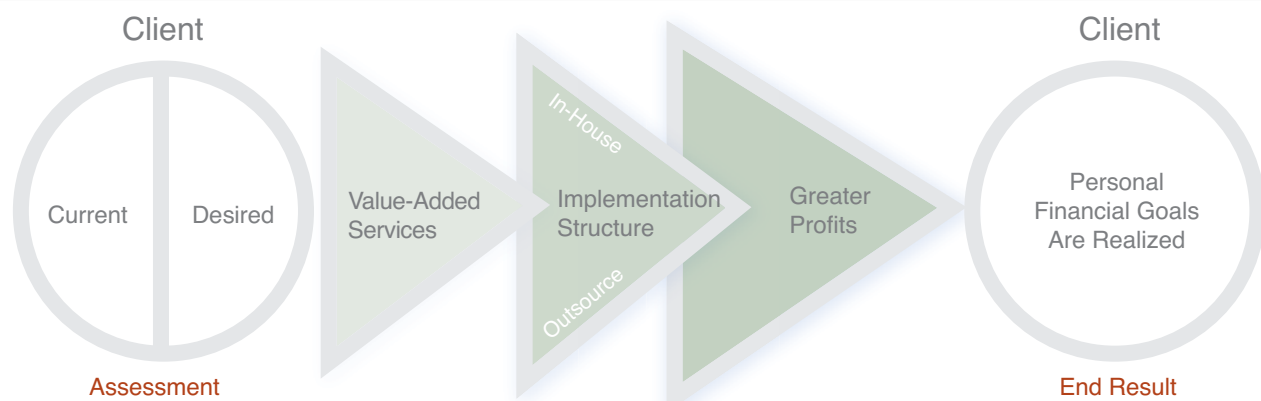
In determining which value-added services to incorporate, it is imperative that agents use their personal financial goals as a central reference point. While there is consensus regarding the objective to earn more, agents must also define what, precisely, "more" means. By setting reasonable financial goals, agents can more incisively decide which value-added services will yield the desired outcome while also benefiting their clients.

At that point, agents need to make choices concerning implementation. One fundamental decision is whether to offer specific value-added services by adding to existing infrastructure or by outsourcing to other professionals

and retaining oversight of the process. The decision is often made based on factors including delivery requirements, cost/structure, anticipated utilization rates and projected returns. Again, all these decisions are made with the agent's financial goals at the forefront.

The main purpose behind expanding and codifying the delivery of value-added services is to generate profits. It is, therefore, important for agents to think in terms of profits and not revenues. Agents need to "run all the numbers" to project the financial gains achieved by formally incorporating select value-added services within the preferred implementation structure. This also encompasses business risk assessment. It is not uncommon for this process to ultimately lead to a reworking of earlier analyses.

The results of these exercises frequently impact an agent's personal financial goals. More often than not, after going through a process like this, the agent will raise his or her personal financial expectations because he or she can now more plainly see the potential for monetary gains. Even without superstar athletes as clients, a capable sports agent with the right mix of value-added services complemented by a well-designed and implemented delivery model can potentially earn a million dollars or more annually.



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