

## “SHOW ME THE MONEY ... PLAN!”

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Rich Smith has just signed his last professional contract in the National Hockey League (NHL). He and his wife, Sarah, however have never operated within a budget or devised a plan to ensure their lifestyle will not suffer after Rich retires. To assist them in achieving their goals (no debt and \$8 million in investment assets), Rich hires Clarke Redmond of Redtail Sports Management (RSM). Clarke’s mandate is to help the Smiths create a financial plan (forecast) to achieve their financial goals.

NHL player, Rich Smith, had just finished reading Derek Sanderson’s autobiography, *Crossing the Line*. Sanderson had overcome numerous personal challenges to pull his life together after committing financial Armageddon. It was a remarkable story given the level of income Sanderson had earned from 1972 to 1974. As the story percolated in Rich’s mind he flipped the channels on his television searching for the latest sports news. Coincidentally, he stumbled across a rerun of ESPN’s 30-for-30 documentary, *Broke. Sometimes you play the game. Sometimes it plays you*. This particular episode chronicled the ordeals of numerous professional athletes who had declared personal bankruptcy. Rich became a little unnerved which seemed misplaced given recent developments in his professional life. During the off-season Boston had rewarded Rich with an 8-year, \$16 million contract (\$2 million per year). This contract would take Rich into retirement as he would be 38 years-old when it expired. As Rich sat in his living room contemplating the future, he felt apprehensive after hearing the stories from the 30-for-30 documentary. He went to his filing cabinet and retrieved his family’s financial statements. He and his wife had never formalized a budget or financial plan; as a 30-year old man, however, and the father of twin 4-year old girls, Rich felt it was time to do so. With training camp a few days away, Rich intended to focus his attention on the family’s budget before he took to the ice.

Folders were laid out on the kitchen table in no discernible order. Rich had been wrestling with the litany of documents and financial statements for two days. Rich felt an unusual nervousness as he realized more the family’s need for a plan for their financial future. Rich also knew that he needed some help to make that happen.

### **Redtail Sports Management**

Rich was aware that a number of his teammates employed Redtail Sports Management (RSM) for their agency and financial planning services. Rich’s own agent—an old friend who is a lawyer—had been outstanding negotiating Rich’s latest contract; however, he offered no financial planning services and little direction on anything beyond legal matters. As a result, Rich felt he would not betray his agent by contacting RSM to discuss his financial planning needs.

Rich phoned the RSM offices and was connected with one of the company’s partners, Clarke Redmond. Rich and Clarke discussed the situation at hand—Rich’s need for a financial plan—and Clarke immediately accepted Rich as a client. Next, Clarke explained how the financial planning process would unfold:

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1. Rich and his wife, Sarah, would complete a detailed financial questionnaire outlining their existing income and expenditures (i.e., spending behaviors)
2. The couple would then come to the RSM offices for a follow-up meeting so they could enhance Clarke's understanding of their financial situation (i.e., objectives, goals, current assets, risk tolerance)
3. Finally, Clarke would create and present a financial plan (forecast) to Rich and Sarah which would be intended to help them achieve their financial goals.

Rich agreed to the process and hung up the phone, encouraged by Clarke's professionalism.

### Financial Questionnaire Outlining Existing Income and Expenditures

Rich and Sarah worked diligently to complete the financial questionnaire that Clarke sent to them. Fundamentally, the questionnaire was an audit of the family's cash inflows (income) and their corresponding spending habits (expenditures). Its completion would help Clarke understand the annual cash surpluses/deficits available to the Smiths. One day before Boston's first regular season game, Rich felt a sense of accomplishment as he returned the detailed account of his financial life to the RSM offices.

One week later, Rich received a call from Clarke to establish a time for the follow-up meeting. Everyone agreed to be available to meet at the RSM offices in six days.

**Table 1 - Financial questionnaire outlining income and expenditure behavior**

<b>INCOME</b>	<b>Monthly</b>	<b>Existing Annual Income</b>	<b>Explanation</b>
Rich Salary	166667	2000000	NHL Salary
Sarah Salary	0	0	
<b>TOTAL</b>		<b>2000000</b>	
<b>EXPENDITURES</b>	<b>Monthly</b>	<b>Existing Annual Expenses</b>	<b>Explanation</b>
<b>House-related</b>			
Mortgage	5000	60000	\$640,000 outstanding debt
Property Tax	500	6000	Municipal taxes
Improvements	1000	12000	mostly aesthetics ...
Insurance	300	3600	State Farm coverage
House maintenance	1000	12000	ABC Co - Cleaning, Gardener, Snow Plows
<b>TOTAL House-related</b>		<b>93600</b>	
<b>Utilities</b>			
Phone - home	50	600	Home phone
Cell #1	110	1320	Rich's cell
Cell #2	450	5400	Sarah's cell
Cable	150	1800	Cable (sports package)
Internet	35	420	Household need!
Gas	100	1200	Household need!
Water	150	1800	Household need!
Electricity	200	2400	Household need!
<b>TOTAL Utilities</b>		<b>14940</b>	
<b>Entertainment</b>			
Movies	120	1440	Once per week - "Date Night"
Memberships	1500	18000	Health & Racquet Club Family membership
Vacations	1000	12000	Family get-aways each year
Subscriptions	100	1200	magazines
Downloads (Music, movies...)	100	1200	iTunes Store