

For NFL Players, Retirement and Bankruptcy Go Hand-in-Hand

Even athletes with long careers and hefty salaries file for bankruptcy within two years of retiring

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WASHINGTON (April xx, 2015) – The median career earnings for a National Football League (NFL) player is in the order of millions. Yet within two years of retirement, NFL athletes start to file for bankruptcy.

“We were looking at the idea that people save money when their income is high so that they are financially safe when their income is low, such as in retirement,” said Annamaria Lusardi, one of the authors of the study. “But when we looked at NFL players, we see bankruptcy filings starting soon after retirement and continuing at a high rate for at least the first 12 years of retirement.”

The study by researchers at the California Institute of Technology, the George Washington School of Business, and the University of Washington used court records, news reports and other public documents to track all players drafted by NFL teams from 1996 to 2003. Nearly 2 percent of the 2,016 athletes followed were bankrupt within two years of retirement and 15 percent within 12 years.

“Well-paid players with long professional sports careers faced as much risk of bankruptcy as those with shorter careers and lower earnings,” said Lusardi.

Most workers see gradual increases in their incomes over time. Professional athletes, however, have dramatic salary spikes – when they are at the top of their careers – that last only a few years. Still, the study found that a six-year athletic career, which is the median for the NFL, provides “more earnings than an average college graduate will get in an entire lifetime.”

The authors argue that the tendency toward bankruptcy stemmed from several factors, including modest NFL retirement benefits, low financial knowledge and a failure to adequately save and invest while playing.

“Most NFL players are inexperienced in dealing with money, but this is a problem that can be fixed,” said Lusardi, who taught personal financial management to football players as part of a special program at the George Washington University School of Business.

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the California Institute of Technology, Lusardi is the Denit Trust Chair in Economics and Accountancy at the George Washington University, Joshua Kim and Kyle Carlson are students at the University of Washington and Caltech respectively.

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