

Stickhandling Sudden Wealth

Imagine after years of dedication, discipline and sacrifice suddenly achieving great, public success and significant wealth. Now, imagine being just 22 years old and an NHL player in hockey-obsessed Canada. In this special edition of Focus on Fiduciary, Thomas Junkin, Senior Vice President; Trust Services, David Cieslowski, Vice President and Private Wealth Counsellor; and Vincent Toniaetto, Private Vice President and Portfolio Manager, discuss the unique investment and estate planning challenges faced by younger clients who are suddenly wealthy.

Q: What are some of the key considerations when working with NHL players, for example?

David Cieslowski: Sudden wealth can be overwhelming for anyone, but for a younger player there's a lot of change on many fronts. However, in my experience working with NHL players at various stages in their careers, the headline stories of "kids" leading the reckless high life are the exception, not the rule.

We typically play a supporting role on a player's advisory team. It's critical for a young player to have someone they trust, who also has the expertise to ensure effective financial planning, investment, legal, accounting and insurance capabilities are in place.

I think you need to recognize these athletes achieve success very early not just because of their incredible skill and drive. They also have great confidence, which serves them very well. Helping to balance that confidence with a healthy respect for life's realities and the nature of their current career is important.

Vincent Toniaetto: A hockey player's most significant cash flow will occur from their late 20s and perhaps into their late 30s. Their savings and portfolio(s) need to be focused on helping to sustain their income

for the next 40 to 60 years. That's a much longer time horizon than most individuals who accumulate wealth over decades and retire in their 60s. As investment managers, we often help players prepare for two retirements—the first from their hockey career and the second from an encore career, if that's something they pursue. As part of that process, Fiduciary Trust Canada clients have the advantage of being able to invest in pooled funds and individual stocks and/or bonds.

We know there are a lot of moving parts in a player's career, ranging from the overarching risk of injury to evolving contracts with various teams and sponsors. Understanding these variables and their role in shaping our investment recommendations is key to working with such clients.

Q: Where does estate planning figure in the life of a younger hockey player?

Thomas Junkin: I didn't spend a lot of time thinking about my mortality in my 20's. It's not top of mind for most folks at that age. But for an NHL hockey player or anyone who suddenly has great wealth, there's a responsibility that goes along with the opportunity. A will, power of attorney and a health care directive are important documents to have in place.

The power of attorney document, for instance, helps address concerns about incapacity and its hidden risks. The first risk is that, through injury or disease, you become unable to manage your money. The hidden second risk is you can't even put planning tools in place because you've lost the capacity to do so. Wealth magnifies the importance of these steps.

Q: How does the way life works for NHL players influence how you work with them?

David Cieslowski: It's a fact of life, for instance, that players are traded and many Canadians will spend part, or all, of their

playing career in the United States. With that in mind, we talk about domicile or residency issues, as a player's decisions can have a huge impact on taxation and tax reporting.

Even if a player is currently on a Canadian team, I'm likely to recommend building their portfolio with individual securities. That way, they won't face US Passive Foreign Investment Corporation rules and reporting. Should they be traded in the middle of the season, the last thing a player wants to worry about is the finer points of their investment and tax reporting.

Vincent Toniaetto: Since Fiduciary Trust Canada is a member of the Franklin Templeton group of companies, we're able to advise Canadian players living in the United States.¹ When change occurs quickly, knowing certain fundamentals will remain consistent is helpful.

Thomas Junkin: Heading to a US team, the first thing I'd say is talk to your advisory team before making a lot of decisions about immigration and declaring your domicile. Be aware that you're moving to one of the most complicated wealth-transfer tax regimes in the world. It's wise to get experienced cross-border estate planning advice.

Thinking more globally, it's not uncommon for hockey players or other professional athletes to move to Europe. European Union estate-related matters can be more complicated than in Canada. For instance, France has forced heirship, which has real ramifications on any real property you might own in that country. It means that, even though you might wish to leave the land to someone else, France's law says a portion will, by default, automatically go to your children. The law in this area is complex and local advice is essential.

Q: How do you help a player address what comes next?

David Cieslowski: Working with their financial planning advisor, players typically have a long-term strategy in place. We focus

1. Portfolio advisory services for US residents are provided by Franklin Templeton Investments Corp.



on building and managing their portfolio(s), taking into consideration things like personal circumstances, their risk tolerance and maximizing tax efficiencies.

Some superstars will make enough money in 10 years to last a lifetime and never have to think about what comes next financially. However, a good number of players will have healthy, but more moderate earnings or have their career cut short. Their accumulated funds won't support their lifestyle for the next six or seven decades. So a second career will be a reality. Sometimes it's understandably hard for a young player to wrap their head around this notion very early in their career, but it's the role of their advisors to assist with that.

Our job is to build a portfolio that works to preserve and build their wealth over time, helping them achieve their goals. We've been assisting people with the complexities and responsibilities of wealth for decades.

Vincent Tonietto: Part of the challenge for young players is balancing today's financial demands with how they want the future to unfold. For instance, how much current cash flow can be dedicated to "giving back," whether it's to parents, friends or a favourite foundation, without jeopardizing future plans? What do they want the money they're investing now to do in the future? Is it to help sustain their lifestyle, fund further education, or establish a business once they've retired from hockey? How do they address or build a buffer between their goals and the constant flow of business and investment opportunities?

Helping a young hockey player prepare for what comes next starts now—spending time, building a relationship with him and his advisors. We listen to what the person at the centre of it all has to say, and make it clear how their invested money is working for them. We do our job, so they can focus on theirs. That's how we start building for what comes next tomorrow and for years to come.