Module 1. Financial personality and behaviour – Different money styles in sport

This first course of the Wealth Management in Sport certificate will focus on the vital aspect of wealth planning in sport, the first and possibly the most important step in any wealth management plan of action. In the first module of the course, we will discuss financial personalities and behaviour, as well as the different money styles that exist both in sport and beyond. We will then move on to focus on wealth and investment planning in module two, in which we will cover the different investment strategies in sport. In module three, we will centre on the investment principles, and in particular in fully comprehending the risks and return of investing in sport. Finally, in module four, we will explore the investment building blocks, which represent the main components of wealth management in sport.

Unit 1.1

In this module, we will introduce and examine in detail a vital aspect of wealth management, financial personalities, and behaviour. Through our examination, we will cover what a financial personality is and the main factors that influence it. We will then explore each of these factors in detail. We will thus talk about financial risk profiles and the three risk pillars on which they are built. Football club owners who have invested their wealth in sport will be analysed through this lens to allow us to better illustrate and comprehend what their financial risk profiles are. Moreover, we will address the key issue of emotions and their influence in wealth management. We will review this influence and the popular behavioural factors influencing our decision-making by using noteworthy successful and unsuccessful examples of athletes' wealth management. Then, we will discuss what psychologists call money styles, which represent our emotional motivations in relation to money. This aspect becomes particularly important when noting the significant amount of unsuccessful wealth management within sport, with often the majority of professional athletes, for example, declaring bankruptcy shortly after they retire. Finally, the planning disposition will be explored, which through the examination of predominantly successful examples of wealth management in sport can illustrate its vital role in wealth management in sport and beyond.

Unit 1.2 Financial personality

Whilst we might often not consider it as important, our personality and the way we think about money, wealth and investment are all important in influencing how we behave in terms of our finance and its management. In this way, developing a financial plan, setting financial goals, and ultimately managing this plan is vital in defining how we can manage our wealth, or our clients' wealth. All these aspects are linked to what we call our financial personality, which is an amalgam or a combination of our natural behaviours and the behaviours that we learn based on the socio, economic and cultural background we have, and in which we are raised (Kubilay and Bayrakdaroglu, 2016).

Our behavioural characteristics have a significant impact on how we see the world, how we process information about it, and how we react to messages received from colleagues or our own social circle. If employing a professional wealth advisor is part of the way in which we manage our wealth, then the relationship formed with that individual plays a big role in our wealth management. The success of the relationship and, thus, of our wealth management, then depends not only on that professional's skills, but also on whether we develop a long-term relationship with them based on trust and mutual understanding of our needs and wants.

Every person's financial personality is influenced by a number of elements that are all interlinked (Kubilay and Bayrakdaroglu, 2016). They include their goals in life, their aspirations and motivations, as well as the risk they are willing to take, or their financial risk profile, as economists and psychologists call it. It is also influenced by their natural behaviour, which refers to their instincts as individuals: the characteristics they are born with and their learned behaviour—which is influenced by their education, their upbringing, the environment in which they were born and raised, their career to that day, and any particular life experiences they might have had. All of those life experiences have, in turn, shaped them in one way or another, bearing the influences of the socio-economic and social background of their families and themselves, once again. All these aspects influence each person's financial personality.

In addition to the aspects mentioned above, people's 'money style', as psychologists call it and as we will discuss later on in this module, also influences their financial personality (Hallowell and Grace, 1989). Finally, individuals' need for information and facts, in order to support and inform their decision-making, as well their tendency to plan or act upon their instinct, affects their financial personality too.

All these aspects will be discussed in this module. To begin with, we will discuss below what the financial risk profile of an individual is, which influences greatly how they behave with their wealth, and thus how they manage it.

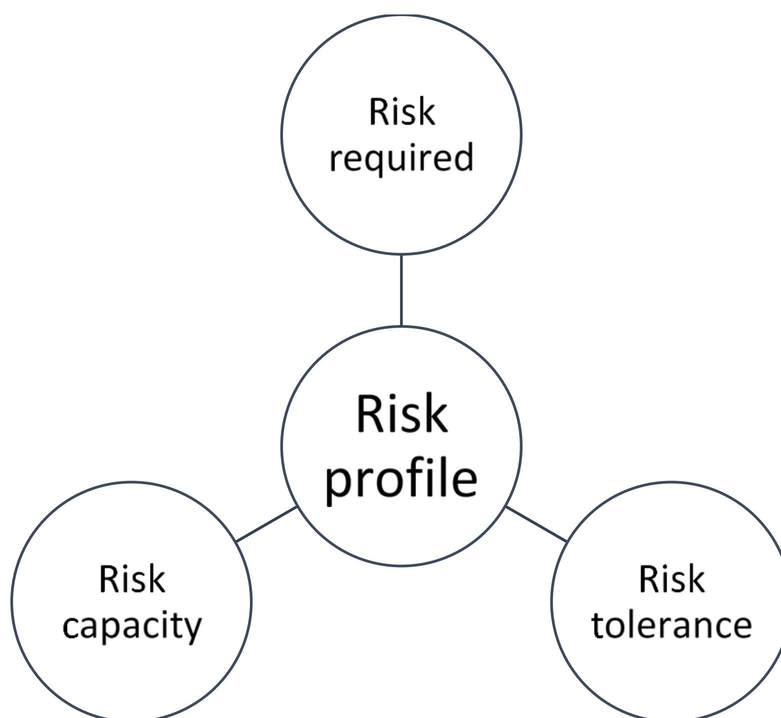
Unit 1.3 Financial risk profile

As we discussed, financial risk profile is one of the most important elements of people's financial personality, influencing greatly how they make financial decisions about their

own or their clients' wealth. One could, in fact, argue that individuals' financial risk profile influences how they make decisions about various aspects in life, even beyond finance.

Each individual has a different personality, and thus a different risk profile, determined by both their core personality and the learned traits that have been acquired in the course of their lives. One's financial needs and their capacity to take risks, as well as their emotional ability or tolerance to accept the risks, are important (Nobre and Grable, 2015). In figure one, we can see the three basic pillars of an individual's risk profile. These pillars are the required risk, the risk capacity, and the risk tolerance. The three pillars represent, respectively, the need we are required to take in order to achieve a particular return; the risk we can take based on our financial ability to withstand any losses, and the risk we can take psychologically, based on our individual personalities. All three pillars will be discussed below.

Figure 1: The three pillars of risk



Source: own source based on Nobre and Grable (2015).

In order to better illustrate what a risk profile is and what the three pillars are, two examples of wealth investment in sport will be used alongside the analysis. These examples are two owners of football clubs, who have invested their wealth in the management of the clubs they own. The first example is Roman Abramovich, the Russian businessman and politician who was, until recently, the owner of the English Premier League club Chelsea (Conn, 2022). The second one is Steve Gibson, the English businessman who is, to this day, the owner of the English Football League club Middlesbrough (Steve Gibson, n. d.). While both individuals have invested their wealth in

the purchase, running and management of these clubs, they bear a number of dissimilarities within them, which one could argue are due to their different risk profiles.

It is worth mentioning at this point that the word risk is being used here to represent the uncertainty of the outcome. In terms of investments and the management of our or others' wealth, it is this uncertainty or risk that defines our behaviour.

After all, there is a direct link between any risk in investments and the value or return they will have for the risk-maker (Arditti, 1967). In fact, the relationship that exists, as economists have long argued, is analogous to the return on investment. So, the higher the risk, the bigger the return on investment, and equally, the lower the risk, the smaller the return on investment, suggesting that understanding an individual's risk profile is fundamental to defining what type of investments and, therefore, returns they can have on these investments. It is this payoff based on the uncertainty that defines how individuals will behave, and helps to shape how their wealth can be managed.

1.3.1 Risk required

When managing others' wealth, it is important to understand what their risk profile is so that the investments made are always in accordance to what is expected. It is also fundamental that the expected return on investment is also made clear so that they are aware of not only the uncertainty levels, but also of the probability that the returns expected will be offered. This is why, before any investment or wealth management plan begins, the starting point should always be the identification and quantification, if possible, of the goals and objectives of any investment.

The way the wealth is managed should be based on these goals we set, either for us or for clients. Once we know what we are trying to achieve through the way in which we manage our or our clients' wealth, we will then be able to understand and identify whether our goals are, in fact, achievable by making no risk or low-risk investments, or if the plan would require a higher return on investment, which would, consequently, require additional risk to be added in our wealth management plan. This goal-setting can help us establish and understand the risk that we are required to take. In other words, the required risk pillar is representing the risk we have to take in order to achieve the returns required according to our needs and goals (Arditti, 1967).

In the case of the two football club owners we discussed above, we need to understand what the goals they set were, in order to better comprehend their required risk. First, Roman Abramovich, the owner of Chelsea football club, set high goals for his investment in the club. As we can see from Chelsea's success in the past years, since his wealth was invested in the club (in July 2003), the club set winning national and international titles as their goals. This is evident in the club's success in winning the English FA Cup five times, the League Cup three times, the English Premier League Championship five times, the UEFA Europa League twice, the UEFA Supercup twice, and the UEFA Champions League

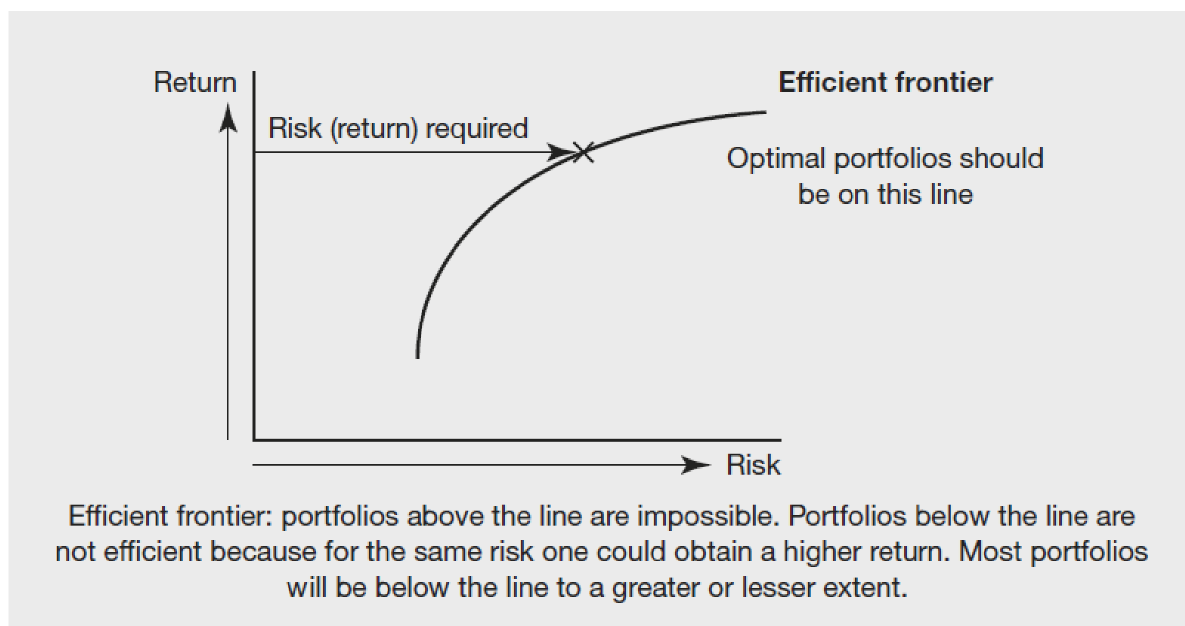
twice (Trophy Cabinet, n.d.). Setting these very high goals for the club suggests that the risk required is also high for the investment that Roman Abramovich made in the club.

At the same time, if we observe Middlesbrough's course in the long-running, since it was taken over by Steve Gibson in 1986, we can see that the goals set were rather more moderate. While Middlesbrough was a top division club and one of the founding members of the English Premier League in 1992, the club has been participating primarily in the English Championship (the second national division) for the past 15 years (Timeline of MFC, n. d.). While it is worth noting that the club did win the English League cup in 2004 and played in the English Premier League in the 2016-2017 season, overall, we could argue that the goals set are significantly lower than those set by Roman Abramovich. This, in turn, would allow us to suggest that the risk required for these evidently more moderate goals set was also lower.

As figure 2 illustrates, if we think of risk and return as two different axes (in the figure, risk is the horizontal axis, and return the vertical), we should first identify the return we are expecting based on our needs and goals (Butler, 2014). Then, we need to identify the required risk for this goal. The efficient frontier line in the figure represents the optimal portfolios, so the ones consisting of the best possible combination of investments, offering the best possible returns of the risk required. It is argued that any form of wealth management portfolio should be on that efficient frontier line, matching both one's objectives, in terms of return on investment, and the risks they are willing to take.

It is suggested that portfolios above the line, so combinations of investment choices and products, are impossible to achieve, while portfolios below the line tend not to be efficient. This is because, for the exact same risk required, one could obtain a higher return on their wealth if different choices were made in the combination of investment products and thus in the design of one's portfolio. At the same time, it is unfortunately argued that the majority of existing portfolios tend to be below the line to a greater or lesser extent, suggesting that the investment products, chosen in most existing investment portfolios, do not yield the maximum amount of return, based on the risk the portfolio holders are willing to take.

Figure 2: Need for risk and reward



Source: Butler, 2014, p. 19.

1.3.2 Risk capacity

Our ability and willingness to financially sustain and withstand any effects that come from the permanent loss of capital represent our risk capacity (Bigio and d'Avernas, 2021). In other words, risk capacity refers to one's capability and eagerness to financially cope with and manage the consequences of a permanent loss of capital and any future returns on their investment, or the ability to sustain having lower and less favourable returns than anticipated. This ability to sustain and manage such unplanned losses, and thus the ability to overcome them even though they occurred unpredictably, and the impact they might have on one's financial profile, goals and lifestyle, all depend on one's own financial resources, which in turn define their risk capacity.

In other words, if the wealth managed is the additional wealth one has secured, and therefore it complements a steady source of income which is generated independently of the managed wealth, then the risk capacity of that individual will be relatively high. Especially when compared to the management of one's wealth, when they do not have an additional and steady source of income, and thus the wealth managed represents the totality of wealth the said individual has. In this case, it is expected that this second individual will have a lower risk capacity, since any permanent losses of capital and future returns, or the possibility of less favourable returns than anticipated, will have a higher and potentially devastating impact on their financial health.

Thinking of the two football club owners' examples again, we can see that their risk capacity is also different. In the case of Roman Abramovich, according to Forbes, his net

worth was estimated to be around US $14.5 billion in 2021 (13.74 billion euro), making him the second-richest person in Israel, the eleventh-richest in Russia, and the richest person in Portugal (he holds all three nationalities (Mille, 2022). As a result, we can argue that, despite the wealth he has invested in Chelsea football club, his risk capacity is rather high, allowing him the ability to withstand any future losses from his investment in the club.

At the same time, Steve Gibson was listed 481st on *The Sunday Times* rich list, that estimated his net worth at £270 million [313.8 million euro] (Jones, 2020). This would suggest that while still wealth, his risk capacity in terms of his investment in Middlesbrough football club would be lower than that of Roman Abramovich. While the actual amount of wealth that has been invested in the club has not been disclosed, it could be suggested that he has the ability to withstand some losses. Nevertheless, it would also lead us to argue that a significant investment could have a serious impact on his remaining wealth, especially when compared to Roman Abramovich.

1.3.3 Risk tolerance

The third pillar of one's risk profile is their risk tolerance. This pillar, unlike the other two that are based on the returns required (depending on the goals set) and on the financial capacity one has, is mostly based on our psychology (Roszkowski and Davey, 2010). Risk tolerance is greatly influenced by our emotional ability to deal with the uncertainty or loss of any investments. In simple terms, risk tolerance refers to how any individual feels emotionally about the risk associated with any investment.

This risk pillar is based on both a combination of our inherent personality, and our learned trades based on our experience, education and environment. Our risk tolerance is influenced by our early adulthood years, in which we start experiencing risk around us and understand how we can tolerate it. Debates exist as to which psychometric assessments can be used to assess one's risk tolerance and thus influence their wealth management (Roszkowski and Davey, 2010). It is suggested that risk tolerance in fact increases over the years; however, it is also argued that limits should exist.

It is also argued that our perception towards risk evolves depending on our experiences at that particular moment in time and the events occurring around us (Roszkowski and Davey, 2010). It is thus suggested that we tend to have a higher investment risk perception when, for example, the market is blooming, the stock market is rising, or the property values are also increasing. Equally, when the world around us can be perceived as an optimistic environment in which we feel wealthy, we tend to have a higher risk tolerance. Moreover, our risk tolerance depends on the type of investment we are trying to make, or on any other psychological factors such as pressure or stress we might be experiencing when the markets and economy are not blooming, for example.

In the case of the two football club owners, Roman Abramovich and Steve Gibson, we have little information on their psychological profile to argue what their risk tolerance is.

The available information is based on the way in which they have managed their wealth; however, we can argue that their risk profiles and, in particular, their risk tolerance, are rather dissimilar. Roam Abramovich is currently considered an oligarch with close political connections (Conn, 2022). He comes from an unfortunate background and is reported to have worked all his life; the majority of his wealth was generated in the 1990. When following the collapse of the Soviet Union, he was able to obtain state-owned assets at extremely low prices that were below the market value, as part of Russia's rather controversial privatisation programme (Conn, 2022). He is currently involved in a number of corporations through the investment companies he runs. While his interest in Chelsea was not known before he invested his wealth in the club, since the investment, Abramovich is believed to be emotionally involved in the club. Taking all this into consideration, we could argue that his risk tolerance is relatively high, as it is evident through his significant spending over the years (Scott, 2006). For example, it is worth noting that, in 2006, the transfer of the striker Andriy Shevchenko broke the then British record, with a transfer fee of around £30 million (35.3 million euro).

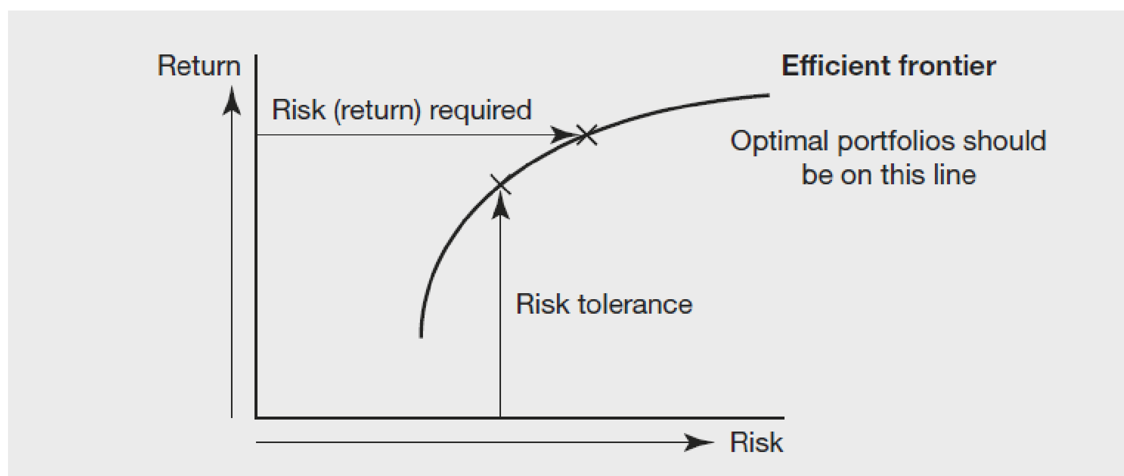
At the same time, Steve Gibson comes from a working background, having earned his wealth through a company he founded in 1981, using money he borrowed from his father (it is reported that the money borrowed was slightly above 1000 euro (Steve Gibson, n. d.). It is also widely known that Steve Gibson is a lifelong Middlesbrough fan, having followed the club since he was a boy. As such, and bearing the recent estimation of his wealth we discussed above, we could argue that his risk tolerance might be affected greatly by his passion for the club, while it might be mediated by his tendency to take careful steps in the way in which he invests and manages his wealth. This is evident in the way in which the club is run, through the transfer of some important players and managers (Timeline of MFC, n. d.), but not through the signing of significantly extravagant football superstars, as it is the case with Roman Abramovich' investment management in Chelsea.

As the two cases of football club owners analysed show, understanding the risk profile of every individual, ourselves or our clients, if we are managing their wealth, is important in understanding what portfolio we need to develop and manage. Whenever we identify that there is a mismatch or a clash between any or all of the three risk pillars that we discussed above and illustrated in figure one, we need to revisit the suggested wealth management plan before deciding what the most suitable—or best at the time—investment and wealth management strategy is.

For example, it might be that the return on investments needs to be lowered in order to adhere to a reduced need for risk. As we can see in figure three, the efficient frontier line should always represent where the optimal portfolios should be. If our risk profile changes, it should be made clear any effect it will have on our return on investments, and, consequently, the portfolio needs to be restructured accordingly (Butler, 2014). So, as it is shown in figure three, even though the required risk would suggest for a particular return

on investment, this cannot be achieved, unless the risk tolerance matches the risk required. If our risk tolerance is lower than the risk required, then we need to lower our expected return on investment accordingly, to match our risk profile holistically.

Figure 3: Risk need and tolerance mismatch



Source: Butler, 2014, p. 22.

It should again be acknowledged that not all behaviour is instinctive. This means that, while we might be rather stable and one could argue predictable over time, a number of external factors might affect our behaviour (Butler, 2014). A trained individual, in this case a trained financial adviser, should be able to see which our responses to particular external factors and scenarios are, and therefore be able to advise us how to better manage our wealth. That is because our behaviour is also influenced by our learned behaviours, which are shaped by our life experiences, how we are educated, and the environment in which we have been brought up. Previous experiences of our financial success or failure also influence our behaviour and tendency to take on risks; therefore, our personality might be dynamic and thus change over time. So, it is always a combination of our natural behaviour that is then shaped by learned behaviour. Understanding the behavioural factors and how these can influence our financial and wealth management decisions can, therefore, have significant value to ourselves and to whoever else is managing our wealth.

Unit 1.4 Emotions and investing

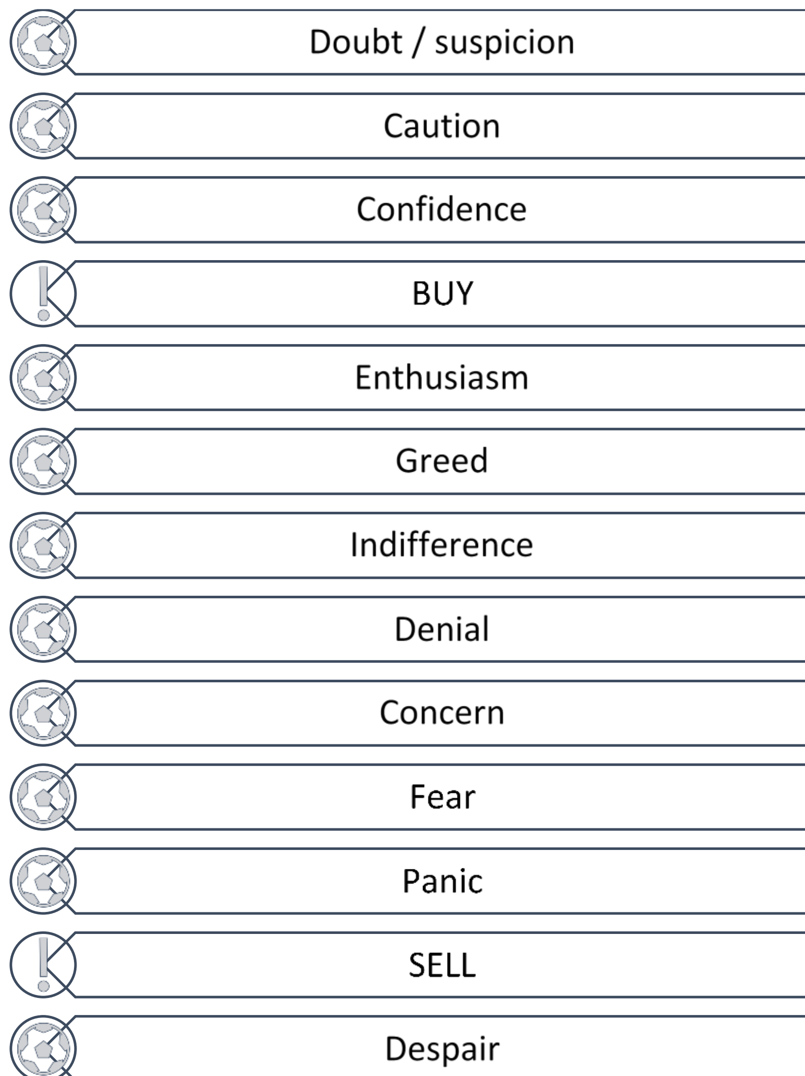
Understanding our emotions and the way in which they shape and influence our behaviour in terms of wealth and financial management is also vital. All our idiosyncrasies, traits, experiences and preferences influence all human beings to different extents in our decisions. Psychologists tend to make two important arguments: emotions overwhelm reason and financial losses are processed in the same area of the brain that responds to mortal danger (Zweig, 2007). Both these elements are vital in understanding

how our investment and wealth management behaviour is, in fact, influenced by our emotions.

When emotions are leading our decisions, we have noted bad financial decisions, extreme behaviours, and, consequently, extreme financial outcomes. Emotions can also guide our investment decisions, leading into potentially lower return on investment than available. This is what economists call the 'performance gap'. When examining UK investors, it was argued that the performance gap can be as high as 2.43 % *per annum* for UK smaller companies' funds and 2.06 % *per annum* for growth funds (Clare and Motson, 2010).

Figure four illustrates the dilemma that Zweig (2007) argues occurs when emotions and investing are confronted. As we can see below, our emotions change overtime depending on internal and external factors. As we gradually progress from doubt and caution to confidence, we become interested in investing our wealth, while we are becoming enthusiastic about a potential investment opportunity. After we have invested our wealth, we gradually move into greed, indifference, denial, and concern, before we enter the psychological state of fear. Following this, we enter the state of panic in which, if guided by our emotions, we tend to sell our investments and therefore reach the state of despair without any investments left. What Zweig (2007) argues in his work is that, if we do let our emotions guide our wealth management behaviour, and we therefore invest our wealth when we are feeling confident and enthusiastic and stop investing when we are panicking and in despair, we are being led to what he calls is wealth destruction. As the title suggests, he argues that we are reducing our wealth by badly managing it, following our emotions.

Figure 4: Emotions and investment decisions



Source: own source based on Zweig (2007).

One of the early examples of bad wealth management by athletes could be better understood by following the emotions and investment decisions sequence that Zweig (2007) argues in his work. Johnny Unitas, a famous and celebrated former American footballer, decided to manage his wealth himself after retirement (Kozlowski, 2020). Following the initial caution, he became interested, confident and enthusiastic about the 'too good to miss opportunity', to buy a circuit board companies, as part of the wider portfolio of business ventures in which he had invested. Apart from his own wealth, he decided to borrow money to increase his investment in the company, which, nevertheless, failed. Unfortunately, Johnny Unitas went through the phases of concern, fear and panic, without disengagement from his investment. As a result, the company was closed down and all its assets were sold off before he reached the emotional state of despair, in which he was forced to declare bankruptcy in order to protect his remaining personal wealth (Sports Stars' Money Meltdowns, 2008). While the total amount of wealth

invested in this venture is unknown, it is estimated that, through this investment, Johny Unitas was found owing US $3.2 million [3.041 million euro] (Kozlowski, 2020).

While emotions cannot be fully controlled or removed from any wealth management decisions, it is important that additional criteria are added in any decision-making process. Information, age and education, as well as the advice of professionals, have been suggested as important elements to add to counterbalance this.

Academic literature suggests that a number of common behavioural factors can influence the way in which we manage our wealth (Subramaniam and Velnampy, 2017; Waweru *et al*., 2008).

The following are the most widely understood behavioural factors.

1. Overconfidence: it refers to individuals' beliefs and self-value on their abilities to make wealth, financial and investment decisions.

2. Extrapolation: it refers to people's tendency to make wealth and financial decisions by over-relying on recent events and by placing more weight to facts that adhere to their beliefs and opinions, assuming that similar good or bad returns will continue to be yield in the future. This behaviour is often seen when, for example, the market is growing and individuals invest quickly in it, assuming that similar returns on investments will continue.

3. Hindsight bias: it tends to influence how people think about the future (Subramaniam and Velnampy, 2017; Waweru et al., 2008). They assume that they could have predicted a behaviour, for example, by often linking unrelated facts, and thus make decisions assuming facts that can be misleading.

4. Familiarity bias: it refers to the management of financial wealth in a way that gives individuals a false sense of control, and the idea that the risk taken is lower compared to investing the same amount of wealth, but in assets that are less familiar. This can occur when an investor or a financial advisor has had success in a particular manner of investing or in particular products, and therefore insists on following the same pattern or behaviour.

5. Regret avoidance: it suggests that, once a bad experience has occurred, individuals might avoid a particular investment, even if it is fully aligned with their goals and expected return on investment (Subramaniam and Velnampy, 2017; Waweru *et al*., 2008).

6. Self-attribution bias: it refers to individuals' tendency to take credit when things go right, identify a scapegoat, and thus blame others when things go wrong. By doing so, individuals can then either assume more credit than they should do or remove themselves from the equation of blame if unfortunate things occur.

All these behavioural factors can be identified when examining rather unsuccessful examples of wealth management by famous professional athletes. For example, Antoine Duane Winfield Sr, the former National Football League (NFL) player, lost approximately

US $3.5 million (3.326 million euro) because his financial advisor was over-confident in his decisions, despite his lack of experience in managing such wealth, while extrapolating that similar returns as the initial ones achieved could continue for his client. Similarly, in the case of the American footballer Johnny Unitas, that we discussed earlier in the module, it appears that overconfidence and extrapolation guided his decisions and resulted in the significant financial losses he suffered (Kozlowski, 2020).

Unit 1.5 Money styles

Wealth and money can mean different things to different people. Even though we can connect different aspects of our personality to money and wealth, and we can also have, at times, a greater understanding of our emotions, habits, practices, and risk profiles, it is widely understood that we all perceive money and wealth differently. This is because our money styles differ. By money styles, we are referring to our emotional motivations in relation to money, which can help us understand what is our primary style in relation to money and what it means to our happiness both financially and beyond.

Let's think, for example, of how athletes behave with money. While professional athletes tend to accumulate a significant amount of money over their careers, it is widely argued that the way in which they manage this money and their overall wealth can vary significantly. Some athletes succeed in making good investments that allow them an early and comfortable retirement, and some make rather questionable choices in their investments and wealth management, resulting in significant losses and even bankruptcy, despite the extravagant wealth accumulated during their playing career (Torre, 2009).

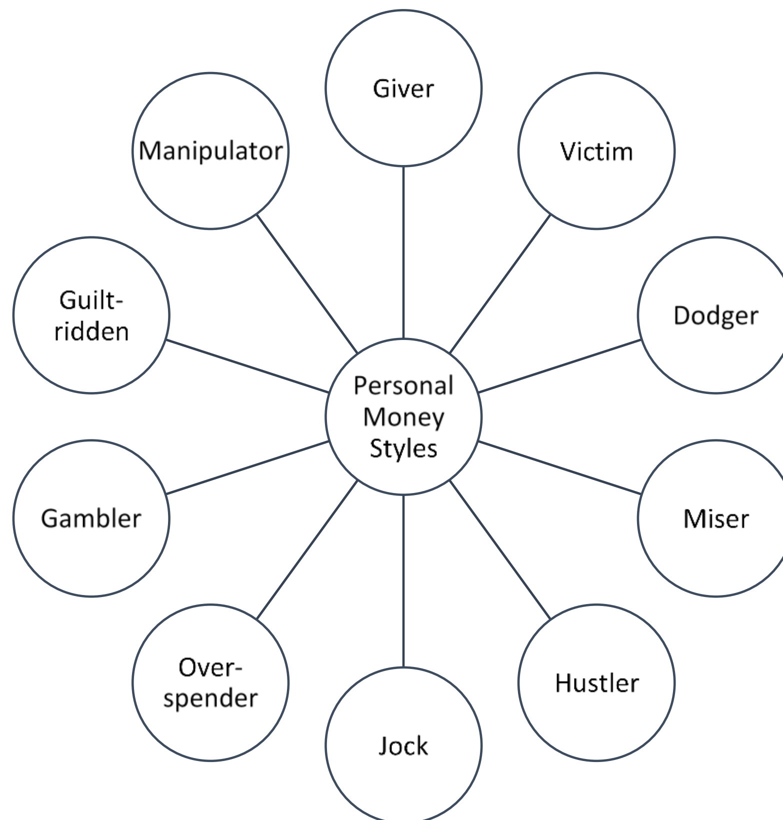
The following rather worrisome statements are argued:

> By the time they have been retired for two years, 78 % of former NFL players have gone bankrupt or are under financial stress because of joblessness or divorce. Within five years of retirement, an estimated 60 % of former NBA players are broke. (Torre, 2009, para. 9).

While a number of reasons can be pinpointed as to why this occurs, it is argued that one of the main reasons behind it is that the money styles of athletes have tended to lead them to making the wrong decisions. As they are often insecure about managing their wealth, assistance is requested from specialist wealth managers, who have also been at times accused of making the wrong choices for their clients (Torre, 2009). While errors can occur, it is worth acknowledging that identifying the money style of each athlete-client can assist a wealth manager in identifying how to better help them manage their wealth and built a mutually beneficial relationship with them.

Hallowell and Grace (1989) argue that a number of professional money styles exist that are worth discussing with our clients and are worth comprehending and considering, when we agree to manage their wealth (as we can see in figure five).

Figure 5: Money styles



Source: own source based on Hallowell and Grace (1989).

The 10 very distinctive personal money styles that exist, and the assistance they each require from a wealth management advisor, will be discussed here.

First, we have the keeper, the individual who is typically too generous with their wealth to the extent they might risk influencing and affecting in a bad way their own financial needs. These individuals might need help in controlling themselves and offered rules to avoid making any decisions that will harm them in the long run (Hallowell and Grace, 1989). Second, we see the manipulator, the one that uses money and wealth they have to control others. These individuals tend to use money in a way that affects their relationships with others, which can eventually result in harming said relationships with the individuals around them. These individuals need help in developing a more positive attitude towards money and towards their relationships.

We then have the guilt-ridden individuals who have the idea that too much money is, in fact, bad for them, and it is instead corrupting who they are. These individuals also need help in understanding that having wealth and being wealthy, whilst also being a good person, are not mutually exclusive (Hallowell and Grace, 1989). Another popular money

style is the gambler. These individuals become too comfortable with risk taking, and, as a result, they look often for a big payoff through investments that might be too high of a risk, in the hope that an equally high return will come. In their case, they could be helped and guided towards potentially identifying a pot of money that they can indeed speculate with, whilst making safer financial decisions for the remainder of their wealth.

We then see the overspending profile, the ones who tend to be in debt a little bit more than they should be, based on their available wealth. These individuals may not be able to retain the wealth that they create or to succeed financially in the future. These individuals would need help to understand the boundaries and the money principles that should be guiding their decisions (Hallowell and Grace, 1989). Moreover, the victim personal money style refers to the individuals who have a tendency to resent wealth and the people that have it. These individuals tend to be afraid of what it means to be in charge of a large amount of money. They thus tend to like to be taken care of by an advisor because they feel that they cannot control the process themselves.

In addition, the dodger is a type of individual who would rather be involved in any other process than discussing money, or being in charge of personal finances. These individuals can benefit from delegating and getting assistance in the planning and management of their wealth (Hallowell and Grace, 1989). The miser is an individual who feels that, when they spend money, they lose part of who they are. These individuals need assistance in clarifying what is financially possible for them to do so that the right decisions are being made.

The hustler is another interesting money style, which refers to the ones who are always trying to identify the next big thing in investments. These individuals tend to be almost addicted to identifying the next big deal and signing that deal in order to move ahead. The hustlers would benefit from an advisor that can assist them in being a critical friend in their ideas and in discussing them thoroughly before any decisions are being made. Finally, we see the jock professional money style (Hallowell and Grace, 1989). For them, money is the result of hard work. These individuals are hardworking and very disciplined, and they also tend to be quite liked by financial advisors. The jock would benefit from some planning and management being taken away from the hands and into the hands of other capable people.

Taking all the above into consideration, when wealth management advisors are approached by professional athletes, it is worth examining in which category they fall in order to better identify how they can help them in building a mutually beneficial relationship with them and better managing their wealth.

Unit 1.6 Planning disposition

An important part of one's financial personality involves their disposition and consequent need to manage their own wealth, or their need to require assistance from a professional

to do so. When examining any individual's planning disposition, there exist three possible categories of behaviour (Butler, 2014). Identifying which of the three existing categories you fall under, can assist you in consequently asking for help in the way in which you manage your wealth, while also pinpointing what type of help you could require (collaborator vs delegator in wealth management and decision-making).

The first existing planning disposition category is the do-it-yourselfers (Butler, 2014). These individuals tend to have the need to control everything. As such, they seek as much information as possible and tend to overthink their decisions. Do-it-yourselfers would invest time in the way in which they organise their wealth, and therefore prefer to be in charge of any decisions made. As a result, these seldom select the assistance of others or even their collaboration in the decision-making process. These individuals might consequently opt to manage their wealth themselves and thus avoid requesting any professional advice.

The collaborator is a person that is similar to the do-it-yourselfer, but one who tends to lack in confidence in making the financial decisions required (Butler, 2014). These individuals therefore seek for advice and assistance by other professional individuals in order to assist them in the final step of the decision-making process. Whilst they do seek as much information as possible, they tend to stop themselves in the final step of the wealth management process. As a result, the collaborators value and benefit from periodic advice and services provided by wealth management specialists.

Finally, the delegator is a type of individual that is rather keen in outsourcing most of the aspects of managing their wealth, even though they might be still involved in developing the overall long-term strategy (Butler, 2014). Delegators tend to be willing to outsource most of the everyday tasks by delegating them to financial advisors. It is anecdotally argued that delegators tend to be the most financially successful people since they have learned the balance of delegating to individuals who might be better informed and positioned to make these decisions, while their time is better 'invested' in the activities in which they are better at.

In the case of professional athletes, we could argue that Björn Rune Borg is an illustrative, yet rather unsuccessful example of a do-it-yourselfer. Björn Borg was famous for his long and celebrated career as a tennis player. When he retired, he decided that he could manage and expand his wealth by creating a fashion company, which nonetheless failed (Forbes, 2008). His resistance in getting outside advice from experts and persistence in managing his wealth himself are often blamed as the reasons why, when creditors sued Borg, he claimed that he was 'more or less bankrupt'.

Another, but this time successful example of a do-it-yourselfer is former MVP of the Super Bowl, Roger Staubach. The celebrated American footballer, who was named by *Forbes* the highest-paid retired football player, was able to have an impressive business career following his retirement from sport and was able to manage his wealth by himself by

doing extensive research and gathering all information required before taking the final step in his investments (Worthly, n.d.).

The most famous example of a collaborator is Michael Jordan, arguably the most financially successful athlete of all time. The former MBA athlete in fact begun his wealth management as a collaborator, before becoming a delegator. Even during his playing career, Michael Jordan was interested and involved in managing his wealth with a hands-on approach (Perino, 2019). He was collecting information and being involved in the decision-making, while getting assistance in some steps of the process. This can be evident partly through some exceptional investment and wealth management decisions made, such as his successful brand extension and profitable collaboration with Nike, and partly through his rather unsuccessful efforts in investing in luxury real estate, which has instead cost him significant amounts of money in taxes and have yet to prove profitable (Perino, 2019).

Arnold Palmer, the celebrated golfer, can be considered a fitting example of a delegator. According to Badenhausen (2016):

> Palmer won $3.6 million in prize money during his 52 years on the PGA Tour and Champions Tour, but 240 times that from appearances, endorsements, licensing and golf course design. His estimated $875 million in career earnings ranks third all-time in sports, behind only Jordan and Woods. Palmer's total tally is $1.3 billion on an inflation-adjusted basis. (para. 2).

His significant success in managing his wealth could be attributed to his overall financial behaviour and his planning disposition. Palmer was believed to trust his professional advisor and not second-guess them in their expert advice, thus being a successful collaborator in terms of his wealth management (Badenhausen, 2016).

Summary

In this module, we discussed financial personalities and behaviour, and the key factors that affect them, both within sport and beyond. First, we analysed financial risk profiles before we explored the relationship between emotions and investing and the common behavioural factors affecting wealth management. Following this, we explored money styles and finally planning disposition, two of the key aspects influencing wealth management decision-making in sport and the need to request for outside advice and assistance in doing so.

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