



TOURNAMENT WINNINGS

What to do with all that hard-earned cash

BY CHRIS KELLY

● The winter sailfish season is wrapping up in South Florida, which means that a handful of lucky crews have been able to cash some sizable checks. Millions more dollars will be awarded on the tournament circuit this summer as well. Hopefully you'll have to figure out what to do with all the money if you do win big. As an investment professional who has spent a lifetime on the docks and fishing, it's almost easier to tell you what *not* to do.

With the amount of money in today's tournaments, winning one can be life-changing. By no means will you be able to retire or buy that huge house on the water, but it can help add to or start a nice

nest egg for the future.

I spent time interviewing a few older captains to get some ideas on what they wish they had done with their tournament winnings. Nearly every captain who spent their winnings wishes they had saved it, and every captain who saved it says they're glad they did. This doesn't mean you can't buy something special, but don't blow it on nonessential items.

Let's start with what not to buy if you win the big one. I would guess the No. 1 purchase for most fishermen is that brand-new \$70,000 truck with a lift kit, big tires and a booming stereo. I know it's

cool and it looks good, but is that really a wise purchase? Today it's \$70,000, but in five years, that same truck will be worth \$35,000. Plus your insurance goes up, fuel economy goes down, and it's just not a smart investment.

The next item you should reconsider buying is that boat. Yes, we all love to have the boat that was previously just a little too pricey, but now we think: *I have extra money. I'll stretch and buy it.* Wrong. The odds are you won't use it as much as you think you will. The maintenance is more than you thought and, eventually, you'll realize that the old Mako or SeaCraft you had that was

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20 years old was really all you needed. By the way, the value of a new boat that's three years old just dropped 25 percent or more. We could go on and talk about the \$10,000 shotgun that you always wanted; sure, it might hold its value, but seldom do they increase.

What would I do if I won a substantial amount of money in a tournament? Well, I've won a few back in the day, and I've made some of the previously mentioned mistakes—and a few others



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too. Looking back, this is what I would suggest: First, evaluate where you are in life. If you're young, maybe put some money into a retirement account and let it grow for the next 30 years. The money you fund an IRA with is a tax deduction, meaning if you win \$100,000 and put \$10,000 in a retirement account (there are several different types), you pay taxes on only \$90,000. That \$10,000 you invested could very likely be worth \$100,000 in 30 years, especially since I believe the stock market will be even higher than it is today.

If you're young and starting a family, I always feel that having a home is critical. It can be a good investment, but it also gives your family a stable environment. Buy something reasonable, in a good neighborhood, with good schools and in a place you will enjoy. There's nothing more valuable than a solid home for you and your family.

Winnings aren't only for paying bills. Go ahead and have some fun and enjoy your windfall. If you have a good job, have been with the same owner for an extended period of time, and you have a retirement account set up, go ahead and



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take a certain percentage to knock off a bucket list item. Take that hunting trip to Montana and shoot a trophy elk. Buy a new motor for the duck boat and be ready for next season. Do something that your family will cherish forever because you never know when your number will be called. Enjoy it!

If you're older, and maybe getting close to retirement, pay off some debts. Start with the credit cards, since they typically have the highest interest rates. A bit of advice: Cut them up and cancel them. You do not want to be tempted to use them again. I would then pay off any outstanding automobile loans. If you can eliminate the interest, that's a big savings that you can use for other expenses.

Finally, I would work on paying down a mortgage. Typically, the interest rate is lower than the credit cards and automobiles, and it is also tax-deductible. In my opinion, you should pay off the debt that has the highest interest rate, followed by the debt that isn't tax-deductible, then a debt that is tax-deductible.

Finally, set aside some money for a rainy day as your emergency fund. You never know when the boss will wake up one day and tell you he is selling the boat, or the transmission blows up in your truck. Having some money set aside for these emergencies is a nice way to handle the stress and uncertainty when an unfortunate event happens. As a rule of thumb, you should have three to six months' worth of expenses saved in your emergency fund.

So, if you do have a nice tournament-winning payday, be a good steward of what you have. I'm not saying don't enjoy it. Go out and buy that new shotgun; not the one that costs a small fortune, but one you can really use and enjoy. Buy your son or daughter a new computer for school—I know they don't need the latest and greatest, but get them what they need. Use the cash to spend time with the family on a trip or buy that small piece of land out in the middle of the woods.

We've had these same conversations with nearly everyone, from families who have sold companies for hundreds of millions to young single guys trying to get started down the road of smart investing. Everyone has similar issues, just on a different scale. ☺

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