

## *Rodger on Retirement*

### *Celebrity bankruptcy and you*

Much has been written about celebrities and their money. The media parades these stories on a daily basis, highlighting the foibles and misfortunes of sports legends, politicians, and entertainers, among others. The darker sides of these stories focus on their spectacular financial failures.

Consider the story of entertainer Wayne Newton, who reportedly earned as much as \$25 million a year while booked to perform at major hotels in Las Vegas. Reports from Bankrate.com estimate his net worth at over \$100 million. Newton declared chapter 11 bankruptcy (when an individual who owes a sum of money proposes a reorganization plan in order to maintain a business and also pay creditors over a period of time) in 1992 with an estimated \$20 million in debt, including a lien to the IRS. The \$25,000,000 a year annual income that “Mr. Las Vegas” earned is 500 times a \$50,000 annual salary that a mere mortal may earn. Or consider the case of former heavy weight boxing champion Mike Tyson, who reportedly earned about \$400 million over a 20-year period. The media reported that he had over \$23 million in debts listed in his 2003 chapter 11 petition, including the IRS.

A reasonable person might wonder how anyone earning millions of dollars a year could possibly declare bankruptcy. An in-depth read of these stories turns up expenses on purchases such as Ferraris, watches, gold chains coated with diamonds, Siberian tigers, and birthday parties reportedly costing hundreds of thousands of dollars.

Many people who have huge incomes rely on friends to assist them with their finances. Numerous stories include grand larceny by ones trusted friends, business partners, and family members. The problem becomes more acute when these high earners take advice from people that have something to gain. Ever notice how friends come out of the woodwork when someone wins the lottery?

Another common thread is financial mismanagement. Would you ever get unbiased advice from a car salesman on a Ford lot? Would they recommend you buy a Volkswagen or Lexus? The answer is probably no. If you walk onto a Ford lot, you will most likely leave with a Ford.

Not all investments of the famous end in bankruptcy, but the loss of money can be staggering. For example, the list of celebrities that shuttered ill-advised restaurants after pouring millions of dollars into them reads like a “who’s who” of the rich. What does a celebrity know about running a restaurant? Someone should have told that to budding restaurateurs Steven Spielberg, Britney Spears, Naomi Campbell, and Hulk Hogan – all who have closed their restaurants after short periods of time.

I often wonder if mega bankruptcy filers actually took the time to sit down with a financial planner and map out a strategy. If they had created even loose spending rules that did not include expensive jewelry, homes, and tigers, might they still have large fortunes with which to pass on to their children and grandchildren? Instead, some celebrities are on the front page of supermarket tabloids and made to look foolish and irrational. How can you be more prudent than the once rich and famous? You might consider sitting down with a financial planner today.

Rodger Alan Friedman has over three decades of experience designing and managing retirement portfolios and advising clients on retirement matters. For additional information and a free special report on preparing for retirement, please call 1-844-3-MY-PLAN or visit: [www.RodgeronRetirement.com](http://www.RodgeronRetirement.com).

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