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Hey Golfers —

The PGA Tour holds around **\$1.4 billion** in non-qualified deferred compensation retirement plans for its players.

And if I had to guess — the number is higher.

Here is why:

The PGA Tour is required to file an annual Form 990 — which details its financial activity. The most recent publicly available Form 990 is from 2020, an outlier year. So let's look at the Form 990 from 2019.

On the assets of the balance sheet in **line 11** — the PGA Tour lists ***Investments — publicly traded securities*** at \$1.74 billion. Around 77% of the line 11 asset is in player retirement assets. Bringing us to the \$1.4 billion number in 2019.

Assuming the investments follow the S&P 500 and there were no substantial withdrawals — the \$1.4 billion number is higher.

The plan is very healthy — and has been described as the best retirement plan in sports.

Here is how the non-qualified deferred compensation retirement plan works — there are two major components.

- Cuts Plan
- FedEx Cup Bonus Plan

According to a [MarketWatch](#) piece in 2019 — the **Cuts Plan** is extremely beneficial to players. If a golfer plays in at least 15 events in a season, they receive \$4,800 for every cut made. Once a player makes the cut in 15 events the number is doubled to \$9,600 for every cut made after that.

A golfer is fully vested in the Cuts Plan with 15 or more events per season for five or more seasons. And a golfer can begin taking their money from the Cuts Plan when **they turn 50**.

The number adds up fast — **Sungjae Im made 22 cuts** in 2022 bringing in tens of thousands of dollars to his retirement plan.

The Cuts Plan is fantastic for rewarding the consistent play of golfers with smaller amounts over time.

The FedEx Cup Bonus Plan is where golfers can rack up dollars quickly. The bonus plan has been around since 1999 — but got a revamp in 2007.

In its inaugural year — the FedEx Cup Bonus plan paid out **100% of winnings in non-qualified deferred compensation retirement plans for its players**. Tiger Woods won the \$10 million first-place prize. And all of the monies went into his retirement plan.

A player can withdraw money from the FedEx Cup Bonus plan when **they turn 45**. Assuming Tiger hasn't touched his \$10 million in winnings from 2007 — that money could be worth north of \$25 million today following the S&P 500 historic returns.

In 2008 — the PGA Tour made a change to the FedEx Cup Bonus plan. A player would receive \$9 million in cash and \$1 million in deferred compensation for retirement. And that model is essentially still in use today.

Rory McIlroy won a total of **\$18 million** in the 2022 FedEx Cup and took home \$17 million in cash and **\$1 million** was placed into his retirement account. The top four finishers had \$1 million deposited into their retirement account in the form of deferred compensation.

A player that finishes 30th in the FedEx Cup will win \$500,000 — \$245,000 in cash and \$255,000 in deferred retirement compensation.

If a player finishes outside the top 30 — **all of their winnings are in the form of deferred retirement compensation**. Shane Lowry earned \$250,000 in his retirement plan for finishing 31st last year.

And golfers that finished in the 126 — 150 range in 2022 earned \$85,000 in deferred retirement compensation.

Let's use Eric van Rooyen as an example.

In 2022 he played in 17 events, qualifying him for the cuts plan. Eric made nine cuts — earning him **\$43,200 in the Cuts Plan**. He finished 132 on the **FedEx Cup Bonus Plan** earning \$85,000 for a **total of \$128,200** in his retirement plan in 2022. Eric made \$927,000 in PGA Tour earnings in 2022. The PGA Tour placed 13.8% of his earnings into deferred compensation for retirement.

The best part of the FedEx Cup Bonus Plan is the it is fully vested.

As of December 31st, 2021 **over 900 members had balances in their retirement accounts**. Over 100 members had balances greater than \$5 million.

One item to note — the retirement plan includes golfers on the PGA Tour, Champions Tour, and retired golfers.

So how does the PGA Tour retirement plan stack up against other sports?

Tennis (ATP) does a pension fund for its players, and they are eligible to receive payments when they turn 50.

- 5 years of service — \$50,000 annually
- 10 years of service — \$100,000 annually

The NBA does a combination of pensions and offers a 401(k). An NBA player can start receiving pension distributions at the age of 45, but it will be a reduced amount. Regular pension distributions begin at 62.

- Minimum pension at 62 — \$57,000 annually
- Maximum pension at 62 — \$200,000 annually

The minimum pension is defined as three years in the NBA while the maximum pension is defined as ten years in the NBA.

The NFL also does a combination of pensions and offers a 401(k). An NFL player can start receiving full pension distributions at the age of 55. An NFL player can contribute a little over \$40,000 annually to their 401(k), and the average player receives around \$43,000 per year in pension distributions.

To be eligible for the NFL pension — a player must play three games per season, for three seasons.

The PGA Tour is unique in the sense that its players are not employees, but independent contractors. If we are looking for the most accurate comparison it would be to the ATP of UFC. While the ATP was detailed, the UFC does not offer any sort of retirement plan for its fighters.

The PGA Tour does a fantastic job of offering retirement benefits to its golfers. Add in the fact that PGA Tour golfers are able to compete into their 40s, and then possibly make money on the Champions Tour. It sets up golfers to create generational wealth.

Have yourself a great Monday. Talk to you next week!