

EXECUTIVE SUMMARY:

# A Risk & Readiness Brief for Student-Athletes & Their Families



*(Name, Image and Likeness)*

# Balancing NIL Risk & Reward



The introduction of NIL has changed how college athletes can earn income, often at a much earlier age than their peers. With that income comes a new set of responsibilities that extend beyond endorsements and contracts.

NIL income can trigger unexpected tax liability, impact financial aid and scholarships, and lead to rushed business or entity decisions. These risks are rarely obvious upfront, which is why parents and guardians are often the first line of defense in helping student-athletes avoid costly mistakes.

This brief is intended to provide high-level clarity, not to answer every question. **For families who want a more comprehensive educational resource, a full NIL eBook is available at [adamsbrowncpa.com](https://adamsbrowncpa.com) with deeper guidance on taxes, planning and long-term considerations.**

## Name, Image and Likeness (NIL) allows student-athletes to earn income through:

- Endorsements, sponsorships and brand partnerships
- Appearances, social media, camps and promotional activity
- Revenue-sharing or compensation arrangements permitted by school or state rules

What matters most is how NIL income affects taxes, financial aid eligibility and long-term decisions.

# The End Game



## The decisions that matter most when NIL income is involved:

- Whether NIL earnings fit into a broader short- and long-term plan
- How timing impacts taxes and reporting requirements
- What planning decisions should be individualized, not generic
- How tax strategy affects what the athlete actually keeps
- When professional guidance is needed versus when it is not

These considerations are not one-size-fits-all, which is why planning before income is received matters more than reacting after the fact.

# Why Planning Changes What Athletes Actually Keep



NIL income is taxable and often treated as self-employment income. Without planning, student-athletes may owe significantly more in taxes than expected, even when income appears straightforward.

## Example: A student-athlete receives NIL income during college.

- Without planning: income is reported with minimal strategy, resulting in higher overall tax exposure.
- With planning: income is structured intentionally, allowing for deductions, timing considerations and reduced surprises.
- *The difference is not the income earned. It's how early decisions affect outcomes.*

*Specific strategies depend on income level, state and personal circumstances.*

# Business Structure Decisions: When to Pause before Acting



One of the most common NIL mistakes is forming a business entity before understanding whether one is actually needed. Entity decisions affect taxes, administrative burden, and future flexibility, and are often difficult to undo.

## **Before forming an entity, families should consider:**

- The level and consistency of NIL income
- Whether expenses and deductions justify added complexity
- How an entity may affect taxes and reporting requirements
- Whether the structure supports short- and long-term goals

Not every student-athlete needs a business entity, despite common advice to the contrary. The right structure depends on individual circumstances.

Professional guidance before forming an entity can help avoid administrative and tax issues later.

## **Who Should Be Involved and Why Coordination Matters**

As NIL income grows, student-athletes are often introduced to a range of advisors and representatives. While each may serve a purpose, families should understand how responsibilities overlap and where gaps or conflicts can arise.

## **Families may encounter advisors focused on:**

- Negotiating or facilitating opportunities
- Legal compliance and contract review
- Marketing or brand development
- Financial and tax planning

*\*The information contained herein should not be construed as legal advice. You are strongly encouraged to contact your personal legal professional for assistance.*

# What Families Commonly Overlook in NIL Agreements



NIL agreements and income arrangements often look straightforward on the surface. In practice, the details surrounding how compensation is structured, reported and disclosed are where most issues arise for student-athletes and their families. These overlooked details can create tax surprises, compliance concerns or unintended effects on financial aid and long-term planning.

## Families should pay close attention to:

- How NIL income is classified and reported, as different payment methods can carry different tax and reporting implications
- School and state disclosure requirements, which may apply even when deals feel informal or low-risk
- Potential conflicts with institutional policies, including restrictions tied to sponsorship categories or use of school-related assets
- Non-cash compensation, such as free products or services, which may still be treated as taxable income

Addressing these factors **before agreements are finalized** can help families avoid issues that are far more difficult to resolve after income has been received or contracts are signed.

## Pulling it All Together

NIL has created real financial opportunity for student-athletes, often earlier than families expect. Along with that opportunity comes responsibility, particularly around taxes, financial aid, reporting requirements and decisions that may be difficult to unwind later.

This executive summary highlights where NIL planning most often breaks down and where early awareness can make a meaningful difference. The goal is not to discourage participation in NIL activities, but to help families approach them with clarity and foresight.

### Where Adams Brown Fits

Adams Brown works with student-athletes and their families to understand how NIL income fits into the broader financial picture. We do not act as agents, negotiate deals or promote specific opportunities. Our role is to help families think through the financial and tax implications of NIL income, coordinate thoughtfully with other advisors and plan before issues arise.

This approach helps unify fragmented advice and allows NIL decisions to be made with a clearer understanding of their short- and long-term impact.

NIL income is not one-size-fits-all. What works well for one student-athlete may not be appropriate for another. Thoughtful planning early can help families avoid preventable issues and make more confident decisions along the way.



### NEXT STEPS

**Depending on where you are in your NIL journey, one of the following may be helpful:**

- **Explore the Full NIL eBook:** A more detailed educational resource is available for families who want a deeper walkthrough of NIL-related considerations, examples and planning topics.



- **Have a Conversation with an Advisor:** Some situations benefit from a direct discussion. A short, introductory conversation can help clarify questions, surface potential risks and determine whether additional planning is appropriate.



