



The Business of Being a Pro Gamer: Four Ways to Protect Your Value

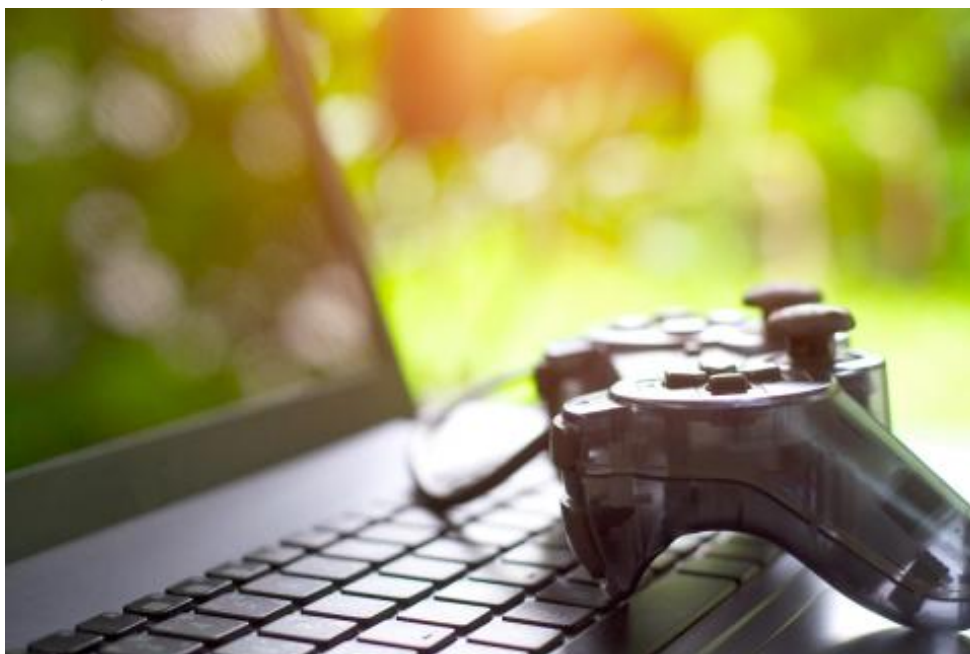


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In Counter-Strike: Global Offensive, how you invest your resources is a crucial part of a team's winning strategy. Players must decide what utility to buy, when to upgrade, when to resort back to pistols to save up for future rounds, and so on. This strategy will evolve as the game progresses and can help determine success in later rounds. Multiplayer Online Battle Arena (MOBA) players face more or less the same question as they move around the map—how do I maximize my value?

Professional esports players should be asking the same question outside the game. While most of the attention on player earnings in esports is focused on base salary and competition winnings, many players are leaving some of their potential value on the table by not using the right business strategies. As the esports industry grows, these strategies become increasingly important.

Just like you have a team in MOBA with each player filling a particular role, you can assemble a team of experts to help you maximize your value. This article discusses some of the ways assembling a team of experts, such as lawyers, financial planners, accountants, and agents, can help you focus on what you excel at—gaming.

1. Make a Company

At first, suggesting that a player form a company might sound counterintuitive. After all, esports players in games like League of Legends and Dota 2 generally contract with a team or a league, which serves as the “company.” But forming a company has many advantages that players—not just teams—can capitalize on.

The main benefit of creating a company is protection against liability. A company, if used correctly, allows you to separate your professional assets from your personal assets. That way, if something goes wrong, you limit the amount of money that you personally can lose. Different company structures offer different levels of liability protection.

While these benefits apply primarily to independent contractors who can use a company for tax pass-through benefits and liability protection, they also apply more broadly. Notably, creating a company can facilitate business opportunities and entrepreneurship and allow you to both receive and make investments while limiting your liability. Forming a company can also help lend an esports player a degree of professionalism by signaling that he or she is serious about his or her competitive gaming career. Talk to a lawyer about how creating a business entity can protect your IRL value.

2. Save, Invest, and Use Tax Vehicles

When you join a company as an employee, one benefit you generally look at is a company’s retirement savings plan. Do they offer a 401(k)? If so, do they match your investment? For gamers, this concept is fairly intuitive—in most games, if you get a good farm advantage early on and itemize wisely, you can more easily carry in the late game. Real-life investment is the same—saving now can lead to larger returns later.

Pro gamers don’t always get the benefit of having a retirement vehicle available to them through a team (the Overwatch League team structure offering health insurance and a retirement plan seems to be the exception, not the rule). That doesn’t mean that players aren’t making as much, and in many cases, more money than the average employee. It just means that they aren’t always guided by a company to invest and save for their future.

But even without a company plan, there are many methods of investing, including (in the U.S.) Roth IRAs, Health Savings Accounts (HSAs), stocks and bonds, real estate investment, and—if, as mentioned above, the player has formed a company—individual 401(k) plans. In addition to helping with long-term savings, many of these investment vehicles also offer short-term tax benefits.

Carefully evaluate all of the investment options. Different personalities and different demographics might need different investment strategies; just like how not everyone wants to play support, not everyone should invest the exact same way.

Something else to note—you play in competitions all over the world. Where you play and how you receive competition winnings will have tax implications. As a limited example, if you’re living in California and win a nice prize pool in a competition in New York, you’ll have to file state tax returns in both California and New York for those winnings.

Consider talking to a financial planner and an accountant about what investment and saving strategies are best for you.

3. Get Your Contracts Reviewed

Contracts are generally used to spell out the agreement between two or more parties. But many times, a contract will contain more than just the terms of the agreement. Even when a contract seems straightforward, legal rules and nuances might make a contract more complicated in ways that you can’t necessarily see or identify. For example, Equifax recently took heat because its terms of use included an arbitration clause that appeared to make consumers give up their legal rights.

Players are asked to sign contracts all the time, from agreeing to the terms and conditions of a game to signing up with a team to inking an endorsement deal. But contracts tend to be geared toward the person writing the contract, not the person receiving it. If players don’t negotiate their contracts properly, they’re probably leaving value on the table, and contracts are a lot more negotiable than most people realize. Having a lawyer review a contract before you sign it can help pinpoint issues like what legal rights you might be sacrificing, what you are liable for and for how much. A lawyer

can also help to make sure the contract protects you and ensures you get paid, and make sure that you have legal remedies if the party you are contracting with doesn't uphold its end of the bargain, among many other things. The job of your lawyer, as your advocate and counselor, is to help you to negotiate a strong deal.

While it might seem strange to pay someone to look over a contract before you even start getting paid, think of legal services as a form of insurance—you pay for health insurance so that if you get sick, you're covered. You pay for legal services so that you're covered against potential legal problems, both going into the deal and in ending the deal. And as with medicine, an ounce of prevention is worth a pound of cure.

4. Build Your Brand Value

NBA player Kevin Durant currently has a salary of about \$26 million a year. His shoe deal with Nike, however, is worth up to \$30 million a year. Endorsement deals can be hugely lucrative and, as with Durant, eclipse pro players' salaries.

Pro gamers already generate huge social media pull on Twitter and other platforms. Streaming provides a level of interaction not available to many other public personalities (as well as a potential source of substantial side income). And the demographic that follows pro gamers—the educated younger generation between 18 and 25—has sometimes been referred to as the “Holy Grail” of marketing. Pro gamers should be able to leverage that pull and exposure into endorsement deals with endemic and non-endemic products. However, many pro gamers aren't yet taking full advantage of or even investigating endorsement opportunities. That's potentially leaving a lot of value on the table.

As esports continues to grow, so will endorsement and sponsorship opportunities. Consider talking to a good agent about chasing those opportunities.

TL;DR: Build Your Team for Financial Independence

Like everyone who first picks up a game, pro gamers were once noobs. But they practiced and honed their craft and are now at the top of their game making a substantial amount of money. Still, many pro gamers are noobs at thinking about business, liability, and investment. Some may have gotten advice from family and friends about how to make money work, but many may not. As the pro gamer, you're the esports expert and you've built a digital empire. Accountants, financial planners, agents, and lawyers are here to help you learn to farm outside the game. Assemble your out-of-game team and take control of your financial future.