

Chicago Daily Law Bulletin®

Volume 164, No. 35

Serving Chicago's legal community for 163 years

Teenage Olympians face different endorsement world

Among the 244 athletes on Team USA's roster for the PyeongChang 2018 Olympic Games are six 17-year-old teenagers. Although they are not old enough to serve on a jury, they are just old enough to represent our country in one of the largest international events.

According to the International Olympic Committee, there is no specific age minimum for taking part in the Olympic Games. Instead, each International Sports Federation sets its own minimum age requirement. For example, following the International Ski Federation, snowboarders must be at least 15 to compete and according to the International Ice Hockey Federation, ice hockey players must be at least age 18 to compete.

This year, men's figure skater, Vincent Zhou, was credited with being Team USA's youngest at 17 years old. U.S. men's snowboarder, Red Gerard, also 17, made headlines for being the first American to win a gold medal in these Olympics (and for proclaiming "holy [expletive]" on camera).

U.S. women's snowboarder, Chloe Kim, yet another 17-year-old, has also already taken home a gold medal this year for the halfpipe event.

These athletes' sudden celebrity status have us wondering about their income earning potentials at such a young age. Most Olympic athletes cannot earn a living as a direct result of the Olympic Games because the U.S. Olympic Committee does not pay them to compete.

Medalists only win prize money of up to \$37,500. The real money comes from the sponsorship and endorsement deals that individual athletes are offered as a result of their Olympic-related fame.

Endorsement deals are inevitable for marketable young athletes that win the gold, like Chloe Kim. Even before winning her first gold medal, Chloe went into the Olympic Games spon-

sored by at least 10 brands, including Nike, Burton, Toyota, Samsung and Oakley.

Although age clearly doesn't create a barrier for athletes like Chloe in the competition, how does being underage affect the endorsement contracts that they are offered?

Contract law applies differently to minors. Generally, contracts entered into by minors are voidable. According to the Illinois Supreme Court, after attaining majority, a minor has the power to either disaffirm or ratify the contract entered into as a minor. However, a contract of a minor is deemed ratified if the minor fails to disaffirm it within a reasonable time after attaining majority.

What this means is that offering a contract to an individual under the age of 18 comes with the risk of that person voiding the contract soon after their 18th birthday. This risk could possibly prevent a sponsor from offering to contract with a minor given that the minor may not eventually be bound by it.

It could be troublesome to a sponsor, or any adult party to a contract, that they do not have the same power as the other party to disaffirm it.

On the other hand, sometimes sponsors can cash in on lesser-known Olympians by making low offers for long-term endorsement contracts before the Olympic Games begin. These low-risk deals could have a high reward value to the sponsor if the athlete becomes popular during the Olympics.

In this circumstance, if a minor were locked into long-term deal and was not educated on his or her contract rights, these almost-adults could miss the "reasonable" time period to void the contract after turning 18 and consequently lose the right to disaffirm it to seek a better deal.

Even contracting with a minor's parent or guardian has its complications. Although parents can bind their children to a contract for a period longer than their majority, the child still has the same power to disaffirm it.

TIME-OUT

AMY N. SCHILLER



Amy N. Schiller is an attorney at Schiller, DuCanto & Fleck LLP where she practices family law with a strong focus on property issues and the complex financial and custody matters facing professional athletes and entertainers. She can be reached at aschiller@sdflaw.com.

Depending on the contract terms, if the contract is disaffirmed by the child, the parent could remain susceptible to liability.

Nonetheless, it can be assumed that these minor-aged athletes, who are reasonably focused on their sport, put their financial future and income earning potential into the hands of their parents and their lawyers.

According to ESPN, when Chloe Kim turns 18 this April, all of her endorsement deals will expire, despite the fact that several of her sponsors actually sought long-term contracts. Apparently, this is because Chloe's father urged her lawyer to structure the contracts so that Chloe could make her own financial decisions about endorsements at age 18.

In the media, Chloe's dad is being praised for this thoughtful decision, but what if Chloe didn't achieve the anticipated success at the 2018 Olympic Games that was expected of her? Could her father have potentially handed her an 18th birthday gift of losing all of her endorsement deals?

It is difficult for Olympic athletes to sustain and capitalize on their celebrity status. The Olympics are only every four years, so these financial decisions are especially crucial.

Generally speaking, the parents of minor athletes also do not owe an inherent financial fiduciary duty to their children, yet, just as all parents of minor children, they

control their children's income. Beyond the general violability of a contract, there are few legal safeguards for high-income earning children, like child athletes and entertainers.

In California, where Chloe is from, Coogan's Law was enacted back in the late 1930s, requiring 15 percent of the gross earnings of a child actor, athlete or other performer to be deposited into a trust account solely for the minor's benefit that may be accessed when the child reaches the age of majority.

Coogan's Law merely creates a fiduciary relationship between the parent and child over that 15 percent of the child's earned income. To date, only California, New York, Louisiana and New Mexico have enacted Coogan-type laws.

It can only be hoped for Team USA's 17-year-old athletes, their parents have taken proper measures to manage and save their children's earnings. In lieu of a standard, unrestricted cash-type account titled in both the parents' name and child's name, it is more beneficial for a trust account or custodial account to be set up with terms in place to ensure that the child's income is only used for his or her benefit.

An irrevocable custodial account under the Uniform Gifts to Minors Act or Uniform Transfers to Minors Act can be set up at a bank or brokerage firm to both safeguard a portion of the child's money and allow the funds to be invested.

The custodian of the account, usually the parent, controls and manages the assets for the child beneficiary and withdrawals can only be made for the child's benefit. The child then takes full legal control over the account at age 18 or 21, depending on the state where the account was opened.

There are no limits to the contributions made to these accounts, but contributions over a certain amount each year could trigger gift taxes.

The moral of the story, even children should have a good lawyer and a good accountant.