



**BARATELLI INSTITUTE**

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*A practitioner thought-leadership brief  
From the Baratelli Institute*

# THE CBA THAT SAVES LIVES

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*Why MLB Players File Bankruptcy at One-Third  
the NFL Rate - and What the Data Demands  
of the Other Leagues*

ATHLETES · COLLECTIVE BARGAINING · POST-CAREER FINANCE

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**PHILIP A. BARATELLI**

CPA, MBA · Founder, Baratelli Institute

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## The CBA That Saves Lives

*Why MLB players file bankruptcy at one-third the NFL rate - and what the data demands.*

*Roughly five to six percent of Major League Baseball players file for bankruptcy within twelve years of retiring. The comparable figure for NFL players is fifteen point seven percent. On the broader 'serious financial hardship' measure, the disparity is even starker: seventy-eight percent of NFL players, sixty percent of NBA players, materially lower for MLB.*

This is not a story about discipline. It is not a story about education. It is a story about the four words that appear in MLB's collective bargaining agreement and do not appear in the others: *unlimited deferred compensation, permitted*. Article XVI of the MLB CBA grants something the NFL, NBA, and NHL CBAs all withhold from their players. The bankruptcy data is the consequence.

What follows is the practitioner case for why the NFL Players Association, the NBPA, and the NHLPA should bring an MLB-style deferred-comp provision to the next CBA negotiation. Not as a luxury item. As a structural intervention against a documented, decades-old harm.

**THE DATA**

# MLB Is the Outlier

*Comparing post-career financial outcomes across the four major North American leagues.*

League	Post-career financial distress	Bankruptcy within 12 yrs	CBA permits Bonilla?
NFL	78% face serious financial hardships	15.7% file bankruptcy	NO
NBA	60% face serious financial hardships	Higher than MLB; trajectory comparable to NFL	NO (25% per-season ceiling on deferral)
MLB	Materially lower; longer career adds protection	Approximately 5-6% file bankruptcy	YES (Article XVI - unlimited deferral)
NHL	Limited industry data; widely believed lower than NFL/NBA	Limited public data	NO (anti-front-loading rules)

**THE NUMBERS DO NOT EXPLAIN THEMSELVES**

MLB players have longer careers on average than NFL or NBA players. Career length is part of the explanation. But the gap is not three percent versus six percent - it is five to six percent versus fifteen point seven percent on the bankruptcy measure, and less than twenty percent versus seventy-eight percent on the broader financial-distress measure. Career length alone cannot account for a gap of that magnitude. Something else is doing the work. The structural difference between the leagues' CBAs is the something else.

Sources for the figures above: Carrington and Holzman, *Bankruptcy Rates among NFL Players with Short-Lived Income Spikes* (NBER Working Paper 21085); Sports Illustrated 2009 estimates updated through subsequent industry analysis; American Bankruptcy Institute; Wikipedia's *Personal finances of professional American athletes*. Methodologies vary. Directional truth is unambiguous.

## THE STRUCTURE

# What MLB's Article XVI Actually Does

*Three CBA provisions that work together to produce the outcome.*

Three provisions in Article XVI of the MLB CBA combine to make the structure work. None of them are technically unusual. None require an actuarial breakthrough. Each could be lifted into another league's CBA in the next negotiation cycle.

### ONE - UNLIMITED DEFERRAL AMOUNT AND TERM

Article XVI does not cap the percentage of compensation that may be deferred or the number of years over which payment may be deferred. Bobby Bonilla's 1999 deal deferred 100% of the \$5.9M owed for the final year of his contract; payment began in 2011 (eleven years later) and continues through 2035 (twenty-five years of payments at \$1.19M annually). Shohei Ohtani's 2023 deal deferred \$680M of his \$700M contract, with payment from 2034 through 2043. Neither structure would be permitted in the NFL, NBA, or NHL.

### TWO - PRESENT-VALUE DISCOUNT FOR THE LUXURY TAX (CBT)

MLB has no hard salary cap. It has a Competitive Balance Tax (the 'luxury tax') that penalizes teams whose payroll exceeds defined thresholds. Article XVI requires that deferred amounts be discounted to present value at the federal mid-term rate (currently approximately 4.4%) for purposes of calculating the contract's Average Annual Value used for CBT. The Ohtani contract, nominal AAV \$70M, has a CBT-counted AAV of approximately \$46M. The Dodgers got real CBT relief from offering deferral - which is what created the negotiating space for player-favorable terms like the Bonilla 8% guaranteed rate.

### THREE - FUNDED-RESERVE REQUIREMENT

Article XVI requires teams to fully fund the present value of the deferred obligation - calculated at a 5% discount rate - within two years of the obligation arising. This is the provision that makes deferral safe for the player. Bonilla's checks arrive every July 1st because the Mets had to set aside the funded reserve decades ago. The athlete who agrees to deferral in MLB is contractually protected against team financial distress; the athlete who agrees to deferral in any league without an equivalent provision is taking on counterparty risk that no fee can compensate for.

## THE OTHER LEAGUES

# Why Bonilla Doesn't Work in Football, Basketball, or Hockey

*Three different CBA mechanisms, one common outcome.*

## THE NFL - DEFERRED SALARY COUNTS WHEN EARNED

The NFL CBA, signed in 2020 and running through the 2030 season, treats deferred salary as cap-counted in the year the salary was earned, not in the year it is paid. A team that defers \$10M of a player's 2026 salary into 2046 still takes a \$10M cap hit in 2026. The deferral provides no cap relief whatsoever. Combined with the five-year cap on signing-bonus proration, the NFL CBA leaves no path for a Bonilla-style structure that creates team incentive to offer it. The closest analog - the contract restructure - provides cap relief to the team but no payment delay for the player. The discipline benefit Bonilla delivers does not exist in the NFL contract toolkit.

## THE NBA - HARD 25 PERCENT CEILING

The NBA CBA, signed in July 2023, addresses deferred compensation in Article 25 with a single decisive sentence: *'No Uniform Player Contract may provide for Deferred Compensation for any Season that exceeds twenty-five percent (25%) of the player's Compensation for such Season.'* Bonilla deferred 100%; Ohtani defers approximately 97% annually. Both would violate the NBA ceiling. The NBA also treats deferred comp as cap-counted when earned, eliminating team incentive even within the 25% ceiling. Result: deferred-comp structures in modern NBA contracts are extremely rare.

## THE NHL - ANTI-FRONT-LOADING + CAP-COUNTS-WHEN-EARNED

The NHL CBA, currently in force through the 2025-26 season, calculates the cap hit on Average Annual Value and imposes anti-front-loading rules: the difference between highest and lowest annual salary in a multi-year contract cannot exceed 35% of the highest year, and the lowest year must be at least 50% of the highest. These rules were specifically written to prevent the back-loaded Kovalchuk and Luongo-style deals of the early 2010s. Like the NFL and NBA, the NHL treats salary as cap-counted when earned. Bonilla-style deferral provides no cap benefit and is structurally rare.

### THREE DIFFERENT MECHANISMS, ONE COMMON OUTCOME

The NFL blocks Bonilla through cap accounting. The NBA blocks it through a hard ceiling. The NHL blocks it through anti-front-loading rules. Different mechanisms, but the underlying intent is the same in all three: prevent the long-tail liability and cap-circumvention risk that unrestricted deferrals create. The intent was reasonable when each provision was negotiated. The unintended consequence - players in those leagues filing bankruptcy at three to four times the MLB rate - is the cost.

## ANTICIPATING THE OBJECTIONS

# Five Pushbacks the NFL, NBA, and NHL Could Raise - and the Responses

**Objection 1:** 'Career length explains the gap. MLB careers are longer.'

Career length is part of the story. It does not account for a gap of three to four times on bankruptcy or a gap of more than fifty percentage points on the broader financial-distress measure. Even adjusting for career length, the structural difference between the CBAs leaves a residual gap that is large enough to demand explanation.

**Objection 2:** 'Players want cash now, not deferred income.'

Some players, in some career situations, do. The MLB precedent shows that the right structure is optional, not mandatory. Players who want full cash today can take it. The Article XVI right is the right to defer; it is not a requirement. A parallel NFL or NBA provision would create the same optionality.

**Objection 3:** 'Owners will not agree to give up cap relief.'

MLB owners agreed to Article XVI because the CBT-relief mechanism gave teams real benefit. Any union ask for parallel structure in another league has to come with a parallel team-side benefit. The negotiation is about *finding the cap or tax mechanism* that creates the team incentive. The math is not unique to baseball.

**Objection 4:** 'The funded-reserve requirement adds cost to teams.'

Yes. That is the protection that makes deferral safe for the player. Without it, deferral is a player liability rather than a benefit. The reserve cost is also financeable - teams can borrow against future media-rights revenue to fund it without disrupting current cash flow. MLB teams have done so for decades.

**Objection 5:** 'Agents oppose deferred structures because their commission is calculated on headline contract value.'

This is the strongest opposing constituency, and the union must address it directly in any CBA negotiation. The fix is to negotiate agent commission rules - widely needed reform regardless - or to mandate that commission be calculated on the present value of the deferred structure, not the nominal amount. Either approach removes the agent's incentive against the players' interests on this dimension.

## WHY THIS HASN'T HAPPENED YET

# The Historical and Political Reasons

*Three pieces of league history and four overlapping political dynamics explain why the NFL, NBA, and NHL CBAs block what MLB allows.*

## THE HISTORY - WHAT EACH LEAGUE WAS REACTING TO

Each non-MLB CBA's restriction on deferred compensation was written in response to a specific historical concern. None of those concerns were unreasonable at the time. All of them produced rules that are now in tension with the player-welfare argument the bankruptcy data demands.

**NBA - the Magic Johnson era and the early-1990s deferred-comp concerns.** In the late 1980s and early 1990s, several NBA contracts (most prominently Magic Johnson's 1981 25-year deal with the Lakers, and a wave of similar back-loaded structures around the league) created multi-decade post-career payment obligations. Several franchises - notably the Lakers, the Pistons, the Trail Blazers - found themselves with cumulative deferred liabilities that complicated subsequent ownership transitions and became a salary-cap-circumvention risk. The 25% ceiling, codified in subsequent CBAs and reaffirmed in the 2023 agreement, was a corrective response. The intent was franchise stability and cap transparency. The unintended consequence was elimination of the player-welfare benefit.

**NFL - the cap-circumvention history.** Throughout the 1990s and 2000s, NFL teams used various deferral and conversion techniques to manufacture artificially low current-year cap hits while committing real cash to players in future years. The cap-counts-when-earned rule was written specifically to close that loophole. It treats deferred salary as a current-year cap event regardless of when the player actually receives the money. The rule succeeded at preventing cap circumvention. It also eliminated any team incentive to offer deferred structure to players, because the team gets no cap relief from doing so.

**NHL - the Kovalchuk and Luongo deals of the early 2010s.** In 2010, the New Jersey Devils signed Ilya Kovalchuk to a 17-year, \$102M contract that was front-loaded with declining salary years - including several at the league minimum near the end - designed to lower the cap hit on the AAV calculation. The NHL initially rejected the deal as circumventing the cap. A revised 15-year deal was approved. Roberto Luongo's 12-year, \$64M Vancouver deal raised similar concerns. The 2012-13 CBA wrote the anti-front-loading rules - salary range capped at 35% of high year, lowest year at least 50% of highest - specifically to prevent that structure. Same intent as the NFL rule, same unintended consequence.

## WHY MLB'S APPROACH IS UNIQUE

# The CBA Drafting History

*Each league's CBA emerged from a specific historical context.*

Each non-MLB CBA's restriction on deferred compensation was written in response to a specific historical concern. Understanding those concerns is the first step in any reform conversation - both because they explain what the current rules accomplish, and because they frame what any future revision would need to address.

## THE NBA - THE EARLY-1990S DEFERRED-COMP STRUCTURES

In the late 1980s and early 1990s, several NBA contracts (most prominently Magic Johnson's 1981 25-year deal with the Lakers) created multi-decade post-career payment obligations. Several franchises managed cumulative deferred liabilities that complicated subsequent ownership transitions and raised salary-cap-circumvention questions. The 25% ceiling, codified in subsequent CBAs and reaffirmed in the 2023 agreement, addressed both. The rule did what it was written to do.

## THE NFL - THE CAP-CIRCUMVENTION HISTORY

Throughout the 1990s and 2000s, NFL teams used various deferral and conversion techniques in ways the league viewed as inconsistent with the salary-cap framework. The cap-counts-when-earned rule was written specifically to address that pattern. The rule has been effective at its stated purpose. The trade-off it produced was the elimination of any team-side incentive to offer payment-delaying deferred structure.

## THE NHL - THE KOVALCHUK AND LUONGO DEALS

In 2010, the New Jersey Devils and Ilya Kovalchuk negotiated a 17-year, \$102M contract front-loaded with declining salary years. The NHL initially declined to register the contract; a revised 15-year deal was approved. Roberto Luongo's 12-year, \$64M Vancouver deal raised similar concerns. The 2012-13 CBA introduced anti-front-loading rules - salary range capped at 35% of high year, lowest year at least 50% of highest - to address the structure.

## WHAT A FUTURE REFORM WOULD NEED TO ADDRESS

A future CBA cycle considering an MLB-style deferred-comp provision would need to address three structural concerns from the original drafting:

- **Cap-circumvention accounting** - distinguishing genuine player-benefit deferral (payment delayed, guaranteed rate to player) from cap-management techniques (payment not delayed, no additional player compensation). The MLB CBA's NPV-based AAV calculation is one workable approach.
- **Long-tail franchise liability funding** - the funded-reserve requirement that MLB Article XVI imposes (full present value funded within two years) addresses the concern that produced the 1990s NBA limits.
- **Contract-comparability disclosure** - standardized present-value disclosure would allow market-rate comparisons on a like-for-like basis. MLB treats deferred-amount NPV as the operative figure for league reporting.

### WHAT THIS BRIEF DOES AND DOES NOT ARGUE

This brief argues that the published bankruptcy data shows a substantial gap between MLB and the other major leagues, and that the structural difference in CBA treatment of deferred compensation is one identifiable contributor. It does *not* argue that any specific party - league, team, agent, union, or player - is at fault for the current arrangement, nor that any specific reform path is correct. The CBA-negotiation choice belongs to the parties at the table. The role of this brief is to surface the structural facts, the data, and the available precedent.

THE ASK

# What Belongs in the Next CBA Negotiation

*A four-element template for the NFL Players Association, NBPA, and NHLPA.*

The four elements that would replicate MLB's Article XVI in another league:

Element	MLB precedent (Article XVI)	Implementation in NFL/NBA/NHL
1. Deferral permitted	No cap on amount or term	At minimum, raise NBA's 25% ceiling significantly; NFL/NHL need express permission for cap-favored deferral
2. Cap-relief mechanism	AAV calculated at NPV (federal mid-term rate)	NFL/NBA/NHL each need to amend cap accounting to discount deferred amounts to present value, providing real team incentive
3. Funded-reserve requirement	Full PV funded within 2 years at 5% discount rate	Direct lift; minimal negotiation friction; protects player against team default
4. Agent-commission alignment	Not in MLB CBA; informal practice	Mandate commission calculated on PV of structure, not nominal amount, removing agent incentive against player interests

## THE PRACTITIONER POSITION

The Baratelli Institute is a practitioner organization. We do not negotiate CBAs. We do not represent unions. What we do is read the data and report what the data shows. The data shows that the difference between MLB's bankruptcy rate and the NFL/NBA bankruptcy rate is large, durable, and structurally explained by Article XVI of the MLB CBA. The data also shows that the structural fix is technically available to the NFL Players Association, the NBPA, and the NHLPA in their next CBA negotiations. **If those unions do not bring this to the table, the data will continue to read the way it reads now. The next generation of NFL and NBA players will face the same post-career outcome that the current and prior generations faced. The fix is available; the leagues' players need to demand it.**

## FOR ACTIVE PLAYERS

# What to Do Right Now

*Until the CBA changes, two parallel tracks.*

## Track 1 - Individual remedy. Build the discipline yourself.

If you are an active NFL, NBA, or NHL player, the team cannot offer you a Bonilla-style deal. Your contract will pay you when it pays you. The post-career income discipline must be self-imposed. Two instruments do the work:

- **Single-Premium Immediate Annuities (SPIAs).** The Shaq model. Take 5 to 10% of every paycheck during your playing years and convert it to instruments that pay guaranteed monthly income for life starting at retirement. The principal is gone; the income cannot be outlived.
- **Irrevocable trusts with locked distributions.** SLATs, IDGTs, dynasty trusts with structured distribution dates. Inside an irrevocable trust, the assets are protected from future-you's spending decisions and from third-party creditor claims.

## Track 2 - Collective remedy. Bring it to your union representative.

The CBA constraint is not a law of physics. It is a negotiated outcome that could be rewritten at the next CBA cycle. Your player representative is the first person to talk to. Bring this brief. Bring the bankruptcy data. Most player reps have never been asked to put MLB-style deferred-comp structure on the negotiation agenda. Be the player who asks.

### READ FURTHER

This brief is condensed from *The Athletes Wealth Playbook* (273 pages), which covers the full operating depth of athlete wealth management - from NIL economics through professional contract mechanics, advisor selection, post-career healthcare, and family trust architecture. Featured Cases A-D and the CBA-Negotiation Ask sections (pp 179-192) develop the argument above with full citations and worked examples. Available at [baratelliinstitute.com](http://baratelliinstitute.com).

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