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# The Parent's NIL Playbook

The independent  
guide to protecting

your family, spotting  
contract red flags,  
and navigating  
sports taxes.

# 1. How NIL Money Breaks Down

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The NIL industry is rapidly evolving, but the money generally comes from three distinct sources. Understanding the difference is critical for compliance and expectations.

## Brand Deals (Endorsements)

This is traditional sponsorship. A local car dealership or a national brand pays your athlete to post on Instagram, wear their apparel, or appear in a commercial.

**Typical Value:** \$500 to \$5,000 per deal for most athletes.

## Collectives (Booster Pools)

Collectives are independent organizations funded by university boosters. They pool money to pay athletes at specific schools, usually disguised as "charitable appearances."

**Warning:** Collectives operate in a legal gray area. Ensure the contract does not explicitly require "pay-for-play" or signing with a specific school, which violates NCAA rules.

## Revenue Sharing (New in 2026)

Following the House v. NCAA settlement, major universities can now directly share up to \$22 million annually with their athletes. This is disbursed directly by the school.

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## 2. The 8 Contract Red Flags

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Never sign a contract without reviewing these critical traps. A bad contract can lock your child in for years and cost them hundreds of thousands of dollars.

- **Perpetual Licenses:** If the contract says "in perpetuity," they own the rights to your child's image FOREVER. Never sign this.
- **Zombie Commissions:** Agencies that claim 15% of your child's earnings even *after* they fire the agent or graduate to the pros.
- **Broad Exclusivity:** Signing a deal with a local gym that prevents your child from signing a multi-million dollar Nike apparel deal later.
- **Missing Termination Clauses:** You must have a legal way to cancel the contract if the brand goes bankrupt or suffers a scandal.
- **Vague Deliverables:** Contracts that say "Athlete will provide social media services as requested." It must specify *exactly* how many posts, on what platform, and when.
- **Morals Clauses:** Overly broad clauses that allow the brand to withhold payment if the athlete "acts in a way the brand dislikes."
- **Jurisdiction Traps:** Contracts requiring you to fly to a different state to fight a legal battle if they refuse to pay you.
- **Free Gear Scams:** Disguising a legally binding marketing contract as an "Ambassador Program" where the only payment is a \$50 t-shirt.

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## 3. NIL Tax Basics

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The #1 mistake families make is spending all the NIL money. Your child is now an independent contractor (a business owner) in the eyes of the IRS.

### The 15.3% Self-Employment Tax

Because NIL income is 1099 contractor income, your child must pay both the employer and employee portion of Medicare and Social Security. This is a flat 15.3% tax on top of standard federal and state income brackets.

**The Rule of Thirds:** The moment a check clears, immediately move 30% to 35% of the money into a separate, high-yield savings account solely reserved for the IRS in April.

### "Free" Gear is Taxable

If a car dealership gives your child a \$50,000 truck to drive for the year in exchange for 4 Instagram posts, the IRS considers that \$50,000 of taxable income. You will owe cash taxes on a free truck.

## 4. The Family Checklist

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Before your child signs anything, make sure you can answer "Yes" to these 5 questions:

- Has an independent sports attorney read the contract?
- Does the deal comply with your specific State High School Athletic Association rules?
- Is the compensation clearly defined in U.S. Dollars with a set payment date?
- Have we set aside 30% of the value for the IRS?
- Will this deal interfere with any team-mandated apparel requirements?

**Want to know what you're actually worth?**

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