TRANSAMERICA CENTER FOR RETIREMENT STUDIES®

News
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The Self-Employed Are Defying Retirement While Overlooking Essential Preparations

New research examines the preparations, expectations, and vulnerabilities of the self-employed

LOS ANGELES – July 24, 2019 – Only 26 percent of the self-employed are "very much" looking forward to retirement according to findings from *Self-Employed: Defying and Redefining Retirement*, a new study released today by nonprofit Transamerica Center for Retirement Studies® (TCRS).

"The self-employed are enjoying life. Given the autonomy and flexibility in their work situations, the concept of retirement is less relevant to them and not necessarily something they aspire to," said Catherine Collinson, CEO and president of Transamerica Institute® and TCRS.

The survey of 755 respondents explores the retirement outlook of individuals who are primarily self-employed. The survey's sample comprises respondents who indicate that full-time or part-time self-employment best describes their employment. Forty-seven percent are sole proprietors and 27 percent own a business that employs others. Among the 26 percent who are freelancers, only nine percent participate in an internet platform or app.

Retiring (or Not Retiring) on Their Own Terms

"Unfettered by employers that can profoundly influence when and how they will retire, the self-employed have a strong vision of retiring on their own terms. Many intend to work beyond traditional retirement age, while others have no intentions of ever retiring," said Collinson. Sixty-eight percent of the self-employed are planning to work past age 65, including 40 percent who expect to retire after age 65 and 28 percent who do not plan to retire. Moreover, 62 percent plan to continue working in retirement.

Among the self-employed who expect to retire after age 65 and/or continue working in retirement, their reasons for doing so are more often healthy-aging related (83 percent) than financial (73 percent). The most often cited reasons are to be active (59 percent), keep their brain alert (56 percent), enjoy what they do (54 percent), and want the income (54 percent).

The majority of the self-employed (74 percent) envision either continued work or a gradual transition into retirement, including 28 percent envisioning working as long as possible, and 46 percent thinking they will reduce their work hours or work in a different capacity that is less demanding and/or brings greater personal satisfaction. Only 11 percent of the self-employed plan to immediately stop working when they retire.

Retirement Savings of the Self-Employed

"Whether or not they intend to retire, the self-employed should financially prepare themselves for a time when they will no longer be working. Unlike employed workers with steady paychecks and employer-sponsored benefits, the self-employed must take a do-it-yourself approach to preparing for retirement," said Collinson.

Most of the self-employed are saving for retirement to a greater or lesser extent, with 55 percent consistently doing so, and 30 percent saving from time to time. A concerning 15 percent say they never save for retirement.

Total household retirement savings among the self-employed is $71,000 (estimated median). The research finds that relatively few are saving in tax-advantaged retirement accounts, which suggests they may be missing out on an opportunity. Only 31 percent are saving in a Traditional or Roth IRA.

The self-employed expect diverse sources of income when they retire. Seventy percent are expecting income from Social Security, and 54 percent from other savings and investments. Of note, only 40 percent expect retirement income from typical retirement accounts such as 401(k)s, 403(b)s, or IRAs. Since the majority of the self-employed plan to work in retirement, it follows that 38 percent expect income from working. Among business owners (sole proprietors and those who employ others), 49 percent expect income from their business and 17 percent expect income from the sale of their business.

Six Ways the Self-Employed Can Financially Prepare for Older Age

The survey findings uncovered opportunities for the self-employed to improve their preparations for older age and retirement. Six recommendations are:

1. ***Start saving early and get into the habit of saving consistently over time.*** If confronted with an irregular paycheck, save more during boom years and less during lean years. Seventy-one percent are currently saving for retirement – but 29 percent are not.
2. ***Learn about tax-advantaged retirement savings opportunities for the self-employed,*** including Traditional and Roth IRAs, SEP IRAs, SIMPLE IRAs, and Individual 401(k)s. If age 50 or older, learn about Catch-Up Contributions to 401(k)s, 403(b)s, and IRAs. Only 46 percent of age 50+ self-employed are aware of them.
3. ***Protect yourself from financial shocks that could disrupt your current situation and future retirement by building emergency savings and considering insurance coverage.*** The self-employed have saved $10,000 (median) for unexpected major financial setbacks. Only 23 percent have disability insurance that can protect their income if they are unable to work.
4. ***Develop a written retirement strategy*** that estimates retirement savings and income needs and addresses a broad range of factors (e.g., government benefits, investment returns, healthcare expenses, and long-term care needs). It should also include an exit strategy for one's business and contingency plans if forced into retirement sooner than planned. Only 18 percent of the self-employed have a written retirement strategy.
5. ***Consider seeking help from a professional financial advisor.*** Retirement planning can be especially complicated for the self-employed. Thirty-eight percent of the self-employed who are saving for retirement use a financial advisor to help manage their retirement savings and investments.
6. ***Take proactive steps to help ensure the ability to continue working and retire on your own terms.*** While the self-employed have more control over when and how they will retire, it is just as important for them as for employed workers to take measures to continue working. Seventy-two percent of the self-employed are concerned about their health in older age; however, only 56 percent are focused on staying healthy so they can continue working past age 65 and/or in retirement. Only 37 percent are keeping their job skills up to date. Even fewer are networking and meeting new people (21 percent).

"The self-employed enjoy greater freedom than employed workers – but it comes with complex retirement planning requirements. While working beyond traditional retirement age can bring income, opportunities to save, and healthy-aging related benefits, planning not to retire is not a retirement strategy. All too often, life's unforeseen circumstances can derail the best-laid plans. The self-employed can and should be doing much more to build and protect their long-term financial security," said Collinson.

Self-Employed: Defying and Redefining Retirement compares the retirement outlook of the self-employed with employed workers. It builds on the 19th Annual Transamerica Retirement Survey, one of the largest and longest running surveys of its kind, and represents the first year the self-employed were added to the research. Please visit TCRS at www.transamericacenter.org to view the survey report along with other research reports and materials. Follow TCRS on Twitter @TCRStudies.

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About the Survey
The analysis contained in *Self-Employed: Defying and Redefining Retirement* was prepared internally by the research team at TCRS. The 25-minute online survey was conducted within the U.S. by The Harris Poll on behalf of TCRS between October 26 and December 11, 2018 among a nationally representative sample of 5,923 full- and part-time workers, including self-employed. This report compares the 755 workers who self-identify as self-employed with the 5,168 who do not. Results were weighted where necessary to bring them into line with the population of U.S. residents age 18+ who are self-employed, and to adjust for attitudinal and behavioral differences between those who are online versus those who are not, those who join online panels versus those who do not, and those who respond to surveys versus those who do not. No estimates of theoretical sampling error can be calculated.

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