



Should the Self-Employed Plan to Work Past 65?

Some solopreneurs think they will "work forever", but that perception may be flawed.

Provided by Chris Eller

About 20% of Americans aged 65-74 are still working. A 2016 Pew Research Center study put the precise figure at 18.8%, and Pew estimates that it will reach 31.9% in 2022. That estimate seems reasonable: people are living longer, and the labor force participation rate for Americans aged 65-74 has been rising since the early 1990s.^{1,2}

It may be unreasonable, though, for a pre-retiree to blindly assume he or she will be working at that age. Census Bureau data indicates that the average retirement age in this country is 63.³

When do the self-employed anticipate retiring? A 2017 Transamerica Center for Retirement Studies survey finds that 56% of U.S. solopreneurs think they will retire after 65 or not at all.⁴

Are financial uncertainties promoting this view? Not necessarily. Yes, the survey respondents had definite money concerns – 28% felt Social Security benefits might be reduced in the future; 22% were unsure that their retirement income and accumulated savings would prove sufficient; and 26% suspected they were not saving enough for their tomorrows. On the other hand, 54% of these self-employed people said that they wanted to work in retirement because they enjoyed their job or profession, and 67% felt working would help them remain active.⁴

Is their retirement assumption realistic? Time will tell. The baby boom generation may rewrite the book on retirement. Social Security's Life Expectancy Calculator tells us that today's average 60-year-old woman will live to age 86. Today's average 60-year-old man will live to age 83. Leaving work at 65 could mean a 20-year retirement for either of them, and they might live past 90 if their health holds up. Even if these Americans quit working at age 70, they could still need more than a dozen years of retirement money.⁵

You could argue that an affluent, self-employed individual is hardly the "average" American retiree. Many solopreneurs own businesses; doctors and lawyers may fully or partly own professional practices; real estate investors and developers may have passive income streams. These groups do not represent the entirety of the self-employed, however – and even these individuals can face the challenge of having to sell a business, a practice, or real property to boost their retirement savings.

Successful, self-employed people over 50 need to approach the critical years of retirement planning with the same scrutiny and concerted effort of other pre-retirees.

Look at the years after 50 as a time to intensify your retirement planning. This is the right time to determine how much retirement income you will need and how much more you need to save to generate it. This is the time to evaluate your level of investment risk and to think about when to collect Social Security. This is the time to examine your assumptions.

Chris may be reached at 815-539-3437 or chris.eller@investmentcenters.com | www.chris-eller.com

Citations.

- 1 - nytimes.com/2017/03/02/business/retirement/workers-are-working-longer-and-better.html [3/2/17]
- 2 - pewresearch.org/fact-tank/2014/01/07/number-of-older-americans-in-the-workforce-is-on-the-rise/ [1/7/14]
- 3 - thebalance.com/average-retirement-age-in-the-united-states-2388864 [12/24/16]
- 4 - transamericacenter.org/docs/default-source/global-survey-2016/tcrs2017_pr_retirement_preparations_of_self-employed.pdf [1/31/17]
- 5 - ssa.gov/OACT/population/longevity.html [3/9/17]

This material was prepared by MarketingPro, Inc., and does not necessarily represent the views of the presenting party, nor their affiliates. This information has been derived from sources believed to be accurate. Please note - investing involves risk, and past performance is no guarantee of future results. The publisher is not engaged in rendering legal, accounting or other professional services. If assistance is needed, the reader is advised to engage the services of a competent professional. This information should not be construed as investment, tax or legal advice and may not be relied on for the purpose of avoiding any Federal tax penalty. This is neither a solicitation nor recommendation to purchase or sell any investment or insurance product or service, and should not be relied upon as such. All indices are unmanaged and are not illustrative of any particular investment.

Investment Centers of America, Inc. (ICA) member FINRA, SIPC and a Registered Investment Advisor is not affiliated with First State Bank or Chris Eller First State Investment Services. Securities, advisory services and insurance products offered through ICA and affiliated agencies are ***not insured by the FDIC or any other Federal Government agency *not a deposit or other obligation of, or guaranteed by any bank or their affiliates *subject to risks including the possible loss of principal amount invested.** ICA does not provide tax or legal advice.