The Self-Employed: An Empowered Vision of Retirement That Requires Rigorous Planning

First-of-its-kind global survey highlights their retirement-related freedom and risks


“Historically, self-employment has been relatively limited to entrepreneurs, professionals, and certain trades,” said Catherine Collinson, president of TCRS and executive director of ACLR. “Today, thanks to technological innovations, more and more people can work for themselves through the gig economy.”

An Empowered Vision of Retirement

“The self-employed enjoy greater freedom than workers with regard to their future retirement. For the self-employed, the idea of a specific retirement age is hardly relevant because they do not have an employer dictating when and how they should retire,” said Collinson.

Many of the self-employed expect to retire after the age 65 or never (40 percent globally, 56 percent U.S.). More than two-thirds (69 percent globally and in the U.S.) envision a flexible transition to retirement, including:

- 26 percent globally (29 percent U.S.) who expect to change the way they work (e.g., working part-time or on temporary contracts) for a while before they eventually fully retire;
- 20 percent globally (17 percent U.S.) who will change the way the work and will continue paid work throughout their retirement; and,
- 23 percent globally and in the U.S. say they will keep working as they currently do. Retirement age won’t make a difference in the way they work.

The self-employed often cite positive reasons for continuing to work in retirement, such as wanting to keep active (63 percent globally, 67 percent U.S.) – or because they enjoy their work (51 percent globally, 54 percent U.S.). On the other hand, some cite financial reasons, including concerns that social security benefits will be less than expected (28 percent globally and in the U.S.), general anxieties about retirement income and whether their savings will last their lifetimes (27 percent globally, 22 percent U.S.), and concerns that they have not saved enough on a consistent basis (26 percent globally and in the U.S.).

The Imperative for Long-Term Saving and Planning

“For the self-employed, saving and planning for retirement requires a do-it-yourself approach. Without an employer, the self-employed lack the employer-sponsored retirement benefits that many workers enjoy,” said Collinson. “Often, self-employed workers have irregular incomes which makes it more difficult to save on a regular basis.”
About one-third of the self-employed (34 percent globally, 36 percent U.S.) always make sure they are saving for retirement. Some say they save for retirement on an occasional basis (22 percent globally, 19 percent U.S.) or that they saved for retirement in the past, but aren’t currently doing so (17 percent globally, 24 percent U.S.), while others are not saving now but say they intend to do so in the future (20 percent globally, 14 percent U.S.).

Three in five of the self-employed (60 percent globally, 63 percent U.S.) have a retirement planning strategy. However, few have a written plan (13 percent globally, 20 percent U.S.). Perhaps more concerning is that relatively few (38 percent globally, 39 percent U.S.) have a backup plan to provide them with income in the event that they are unable to continue working before reaching their planned retirement.

The self-employed report a wide variety of financial means they are using to prepare for retirement. They most frequently cite social security (33 percent globally, 48 percent U.S.) and savings accounts (38 percent globally, 32 percent U.S.). Relatively few (14 percent globally, 15 percent U.S.) cite their business as a means for saving for retirement.

Five Ways the Self-Employed Can Financially Prepare For Retirement

“The self-employed have greater flexibility in terms of their approach to work, leisure and retirement. However, achieving long-term financial security requires a rigorous approach to saving and planning,” said Collinson. The harsh reality is that only 26 percent globally (25 percent U.S.) say they are either “very” or “extremely confident” that they will achieve a comfortable retirement.

As a starting point, five ways that the self-employed can financially prepare for retirement include:

1. Start saving early and get into the habit of saving consistently over time. If confronted with an irregular income, save more during boom years and less during leaner years.
2. Learn about tax-advantaged savings vehicles to determine what may be right for you, including IRAs, SEP IRAs, Individual 401(k)s, and others. Find out if a local chamber of commerce or trade association offers a program.
3. Automate savings by setting up an automatic funds transfer, for example, from a checking account to a retirement or savings account.
4. Contribute to Social Security. While it may be tempting to under-report personal income to reduce income taxes, it’s important to remember this can reduce retirement benefits as they are often based on an individual’s earnings history.
5. Create a financial plan for yourself and your business that includes a Plan B. A well-developed strategy should address current and future income needs, savings, investments – and contingency planning. If applicable, consider an exit strategy for the business. This type of planning can be especially complicated for the self-employed, so consider consulting a professional advisor.

Retirement Preparations in a New Age of Self-Employment offers a detailed portrait of the self-employed, country-specific fact sheets, and comparisons with employed workers. Countries featured in the survey include: Australia, Brazil, Canada, China, France, Germany, Hungary, India, Japan, The Netherlands, Poland, Spain, Turkey, United Kingdom, and United States.

Please visit TCRS at www.transamericacenter.org to view the full survey results, infographics and additional materials. Follow TCRS on Twitter @TCRStudies.

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About the Survey
The Aegon Retirement Readiness Survey 2016 is a collaboration between the Transamerica Center for Retirement Studies® and the Aegon Center for Longevity and Retirement. The survey encompasses 17,600 employees, retirees, and self-employed in 15 countries: Australia, Brazil, Canada, China, France, Germany, Hungary, India, Japan, the Netherlands, Poland, Spain, Turkey, the United Kingdom and the U.S. These countries were selected on the basis of their distinctive pension systems, as well as their varying demographic and aging trends.

Cicero Group, a leading global research firm, was engaged to conduct the survey. Respondents were interviewed using an online panel survey, and interviews were conducted in their local languages in February 2016. This report provides a broad perspective on savings and retirement, based 1,600 people who self-identified as self-employed. The findings reflect both the attitudes and behaviors of these individuals.

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TCRS 1337-0117