

Entrepreneurship as a retirement lifestyle

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Retirement used to mean the end of an era, and was solidified by a person's complete exit from the workplace. However, today's Baby Boomers, and those who will follow them, will not be living their grandparents' retirement lifestyles. Given increases in longevity, today's 60ish retiree is closer to middle age than old age. Retirement is becoming a transition to greater lifestyle choices versus a complete severance from a career. Such choices include tailoring work so that it can be done on their terms instead of being restricted to traditional models such as a 40-hour work week.

Entrepreneurship has become an attractive alternative for older employees who are seeking more than a life of leisure when they reach retirement age. Such individuals may benefit by transitioning to a structure where they can embrace work and have more control over their careers, such as the ability to select assignments, structure work hours, and negotiate compensation. Entrepreneurship allows retirees to shed unenjoyable aspects of full time work while maintaining the professional identity it took years to build.

Although the success rate for new businesses has historically been low and somewhat intimidating, the story is much different for older workers. According to researchers at Duke University, individuals over age 50 are twice as likely to be successful in technology start-up ventures than those under age 25.¹ Older entrepreneurs are also becoming more successful over time. Individuals ages 55 to 64 accounted for 15% of flourishing entrepreneurs in 1996 and increased to 24% by 2016.²

Retirees are often more successful as entrepreneurs because they have more financial strength, personal stability and self-awareness than their younger cohorts. The confidence and wisdom gained from prior work and personal experiences can provide benefits. If you are thinking about entrepreneurship as part of your retirement transition, here are a few things to consider:

How much should you invest in starting a business?

Although entrepreneurship may provide newfound freedom, it should not threaten the financial security you have worked long and hard to build. Before committing to a business, consult your financial advisor and discuss what types of businesses are appropriate for you. Converting a small hobby to a source of cash flow may be much different than investing in a fast food franchise. You should also discuss if borrowing and using savings are appropriate based on your financial position.

What personal risk may come from your business?

If you have had a full career as an employee, you may not have had to think about business liability and threats to your personal estate. By converting hobbies or other interests to a business you may engage in activity which requires protection beyond your homeowners and personal umbrella policies. You should discuss your business plans with your attorney, insurance agent and other trusted advisors, and explore if the formation of an LLC, LLP, corporation, as well as business insurance are advised to protect the assets you have accumulated personally.

Will you have fun?

Although you are starting a business, you are doing it as part of your retirement lifestyle. Activities in retirement should continue the things you enjoy about work such as social engagement, achieving goals and having financial security. Make sure the venture you choose doesn't feel like work, but instead is enjoyable and contributes positively to your well-being.

As an entrepreneur, retirement can become your next adventure! It is important to make sure you understand how you can have fun doing something new while at the same time planning ahead for potential expenses or risks associated with your new venture by discussing your plans with your professional advisors.

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¹ Johnson, W. (2013, June 27) Entrepreneurs Get Better with Age. Harvard Business Review, pp. <https://hbr.org/2013/06/entrepreneurs-get-better-with>

² <https://www.kauffman.org/wp-content/uploads/2019/09/2017-Kauffman-Index-Startup-Activity-National-Report-Final.pdf>

