

4 Retirement Strategies for the Self-Employed

Wanted: Retirement Strategies For The Self-Employed

How Understanding One of America's Most Important Retirement Demographics Can Open the Door to New Client Relationships

They make up 30% of the nation's workforce. They range from owners of small- to medium-sized businesses to professional partners, freelancers and seasonal workers.

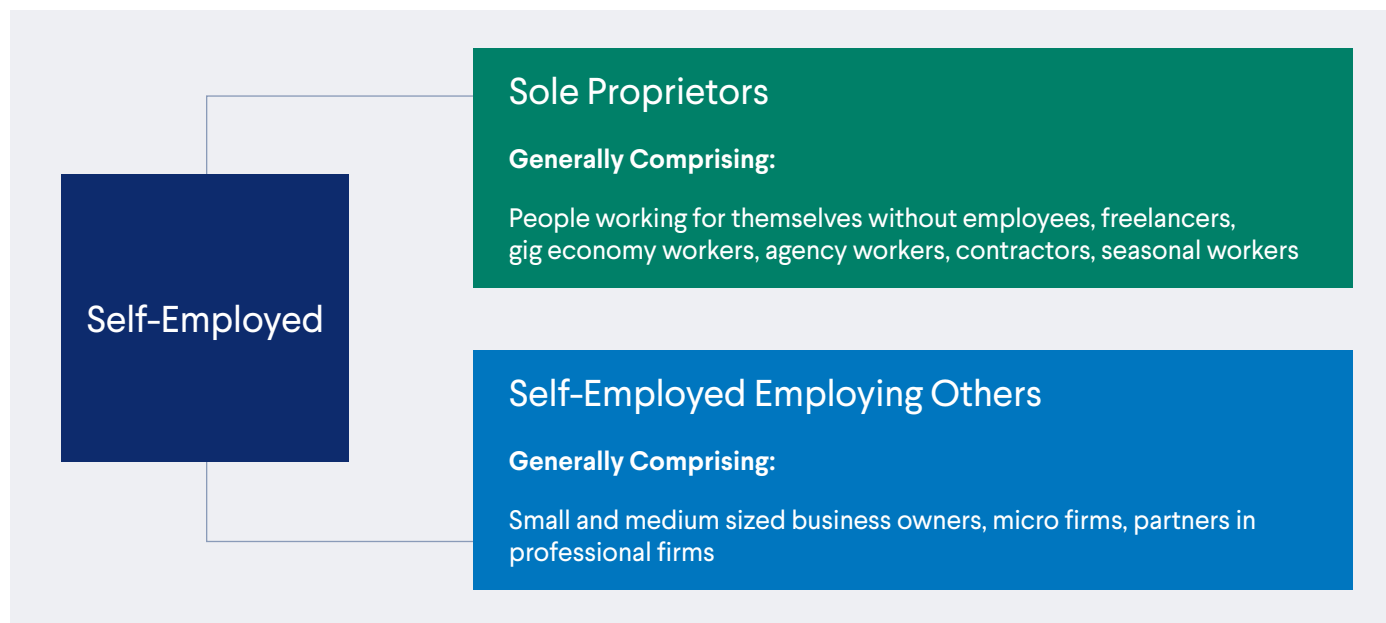
They are the 44 million self-employed who are turning 65 at the rate of about 3400 a day, according to Pew Research.

Do-it-yourselfers by nature, they tend to be more optimistic in temperament and willing to work longer hours than their counterparts in the corporate world.

While they have tried to manage their own retirement plans on their own – like they have managed their own businesses – many are quickly finding out they have reached a tipping point and need professional guidance for their future retirement strategy.

The Self-Employment Retirement Challenge

Who Are The Self-Employed?



Source: Retirement Preparations in a New Age of Self-Employment

A recent study from Cicero Group and Aegon called *Retirement Preparations in a New Age of Self-Employment* delved into the retirement mind-set of the self-employed both here and abroad.¹ According to the study “the self-employed are presented with unique challenges in terms of retirement planning.”

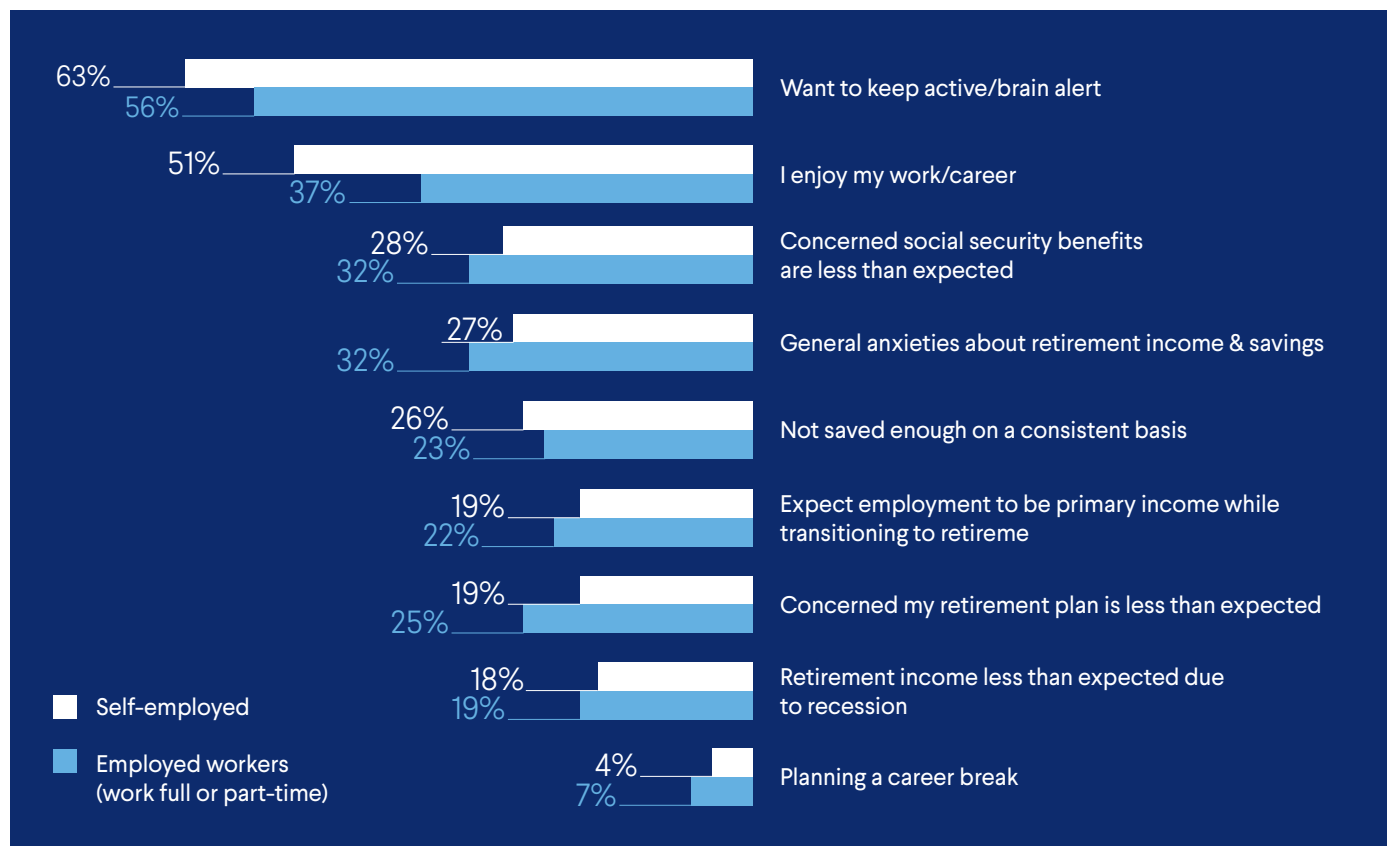
Like company-employed workers, the self-employed are faced with the same universal challenge of turning a lifetime of savings into a retirement plan.

But that’s where the similarities end.

While the self-employed in the U.S., according to the study, are generally more upbeat about work and responsibility, they fall behind employees in the corporate world in several key measures. The irregular incomes and do-it-yourself mentality of the self-employed can lead to plans that underperform against employer sponsored retirement benefits, retirement plan contributions, and payroll deductions.

¹ Aegon Retirement Preparations in a New Age of Self-Employment <https://www.aegon.com/contentassets/fbe250ca6cc64cbb84b3be919042fbdc/retirement-self-employed-report.pdf/>

Fact: Majority Of Self-Employed Have A More Positive Outlook about Work than Retirement



Source: Retirement Preparations in a New Age of Self-Employment

Needed: More Than A “Can-Do” Attitude Toward Retirement

Mixed Retirement Picture for the Self-Employed

Pros	Cons
<ul style="list-style-type: none"> Will retire later in life than company workers – if at all 	<ul style="list-style-type: none"> Only one in three of the self-employed are habitual savers, unlike company employees who may have access to sponsored retirement plans and automatic payroll deduction¹
<ul style="list-style-type: none"> Biggest reason to keep working is to “stay active” 	<ul style="list-style-type: none"> Self-employed more dependent on Social Security as a source of future retirement income¹
<ul style="list-style-type: none"> More willing to work harder to make up for retirement shortfalls 	<ul style="list-style-type: none"> Unlike company employees, most don’t have a disciplined approach to retirement planning; little is “written down”¹

Retirement In The Spotlight

As the authors of *Rethinking Retirement*,² a survey of the attitudes of 1200 pre-retirees and retirees, Wade Dokken and Wade D. Phau have pointed out that “Retirement income planning itself has recently emerged as a distinct field in the financial services profession, though it is still in its early stages and is undergoing growing pains.”

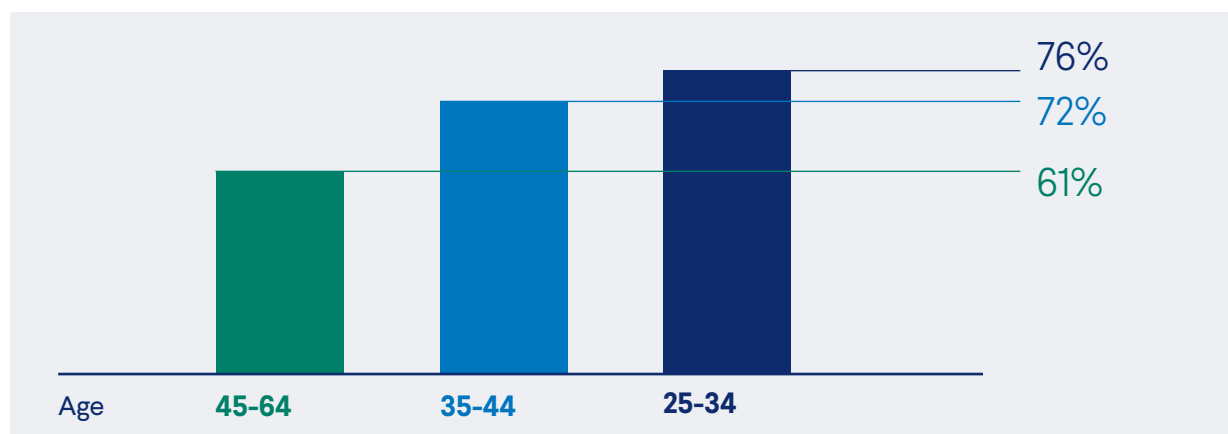
“When clients say ‘security,’ they mean ‘protection’ and ‘dependability,’” they continued. “What we learned from our survey is that, more than any other concern, investors overwhelmingly want to preserve and protect their retirement savings. And they are willing to achieve lower returns so that their retirement income is not threatened.”

They added, “This requires financial professionals to recommend cautious and lower income streams to investors who may be used to only traditional stock and bond portfolio investments.” These investments, in fact, are frequent default choices for the self-employed, according to the *Retirement Preparations* study.

Self-Employed And Underfunded

Another 2016 survey showed just how underfunded many retirement plans may be for self-employed small business owners. “The majority are not financially prepared for the retirement they envision,” according to BMO Global’s *Insights on Retirement for Small-Business Owners*.³

Savings of less than \$100,000 for retirement, by age of business owner



Source: BMO Wealth Management survey by Validatelt Technologies Inc., July 2016.

² Rethinking Retirement <https://wealthvest.com/white-papers/>

³ Insights on Retirement for Small-Business Owners https://www.bmo.com/assets/pdfs/wealth/bwi%20report_business_owner%20retirement%20oct_2016_en.pdf

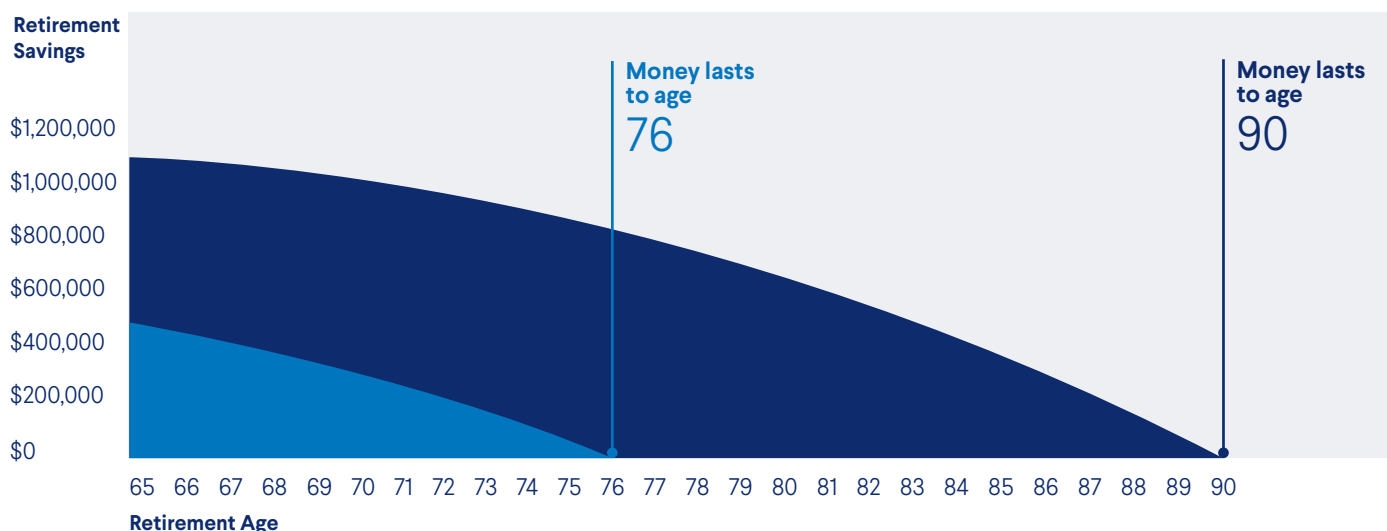
Even among business owners aged 45 to 64, many of whom could be nearing retirement, a significant percentage indicated that they had retirement savings of less than \$100,000, while only 14% of respondents in this age range had saved more than \$500,000.

Similar to the *Retirement Preparations* study, *Insights on Retirement* also emphasized that the self-employed typically work well beyond the average corporate retirement age, often until almost 73. Even with a retirement savings of \$500,000, though, many hard-working entrepreneurs are likely to fall short at age 76 as the table shows.

Why \$500,000 In Retirement Savings Isn't Enough

Assumptions

- Savings are accumulated in a non-taxable investment account with a rate of return of 4% from interest income, taxed at a blended tax rate of 20%.
- The withdrawals of \$50,000 in after-tax income in retirement are indexed for inflation at 2%.
- The calculations do not take into consideration any additional sources of income such as Social Security, corporate pensions, retirement accounts, or corporate accounts.



Source: BMO Wealth Management survey by Validatelt Technologies Inc., July 2016.

Speak To The Self-Employed In Their Own Language

While the self-employed have the opportunity to take a more flexible approach to work, leisure, retirement and savings, this does not mean that they will make all the right calls. They likely need support, guidance and advice to help them to adequately plan and prepare for retirement.

- **The Self-Employed Know How to Take Responsibility**

Connect with them on at their entrepreneurial level. Emphasize that investing takes discipline like any other business initiative. Underscore the importance of committing to a savings plan.

- **They Experience the Ups and Downs of Cash Flow More than Most**

Here you can touch on the importance of combining some flexibility with a consistent commitment. Make it possible for them to save more during months with more robust income and less during leaner months.

- **Avoid Retirement Withdrawals for Sudden Expenses**

Encourage your self-employed prospect to view the development of a retirement strategy as a business just like any other business. In their case, because they will tend to keep working and gradually shift into retirement mode, they should view their future retirement dollars as a “Treasury” required to run their future “Retirement Business.”

- **Take Advantage of Sudden Sales, Cash Windfalls**

The upside to self-employment are sudden windfalls from successful contracts. Here, you will want to counsel your client to call you immediately to help allocate assets toward a strategy that will offer also opportunities for guaranteed protections and tax deferral.

- **Automate the Retirement Strategy**

Show how to facilitate their savings approach by setting up regular fund transfers, for example, from a checking account to a retirement savings account.

- **Counsel them on their Social Security choices**

Without the backing of a corporate-sponsored plan, the self-employed will have to count on Social Security benefits more than a company employee. Make sure they understand their benefits as you counsel them to delay payments, if possible, in order to receive their maximum benefit.

- **Brainstorm a Sustainable Plan**

Show how a well-developed strategy can include:

- Guaranteed income that can grow over time
- Principal protections for today to provide for a better lifestyle tomorrow

For the Self-Employed, Retirement is a Business like Any Other

The self-employed person retires later in life than the average company employee. Entrepreneurial in outlook, flexible in attitude, they tend to retire “to” something rather than “from” a job. Show them the different ways to accommodate and adjust to their shift to a retirement lifestyle when you order and send them a copy of *Thinking of Retirement as a Business*, one of 12 client-facing pieces in our Delaware Life Dimensions Retirement Education Series.

Focusing on the Needs of the Self-Employed: It’s in Their *Best Interest* – and Yours

Forging a path to financial freedom for the self-employed can be especially daunting and it’s easy to get lost. “Amid financial climates, market volatility, low interest rates and a changing regulatory landscape,” the authors of *Rethinking Retirement* wrote, “What matters to the client cannot be overlooked. Together, financial professionals and clients are working to align principle and goals, as that is ultimately in the ‘best interest of the client.’”

By speaking to the self-employed in the language of optimism, love of hard work and long hours, you are likely to find yourself at a competitive advantage as you discuss the kind of protection, growth and income features that will be in their *best interest*.

Advisor Insight: Sub-Contracting for the Financial Expert – You

The self-employed count on sub-contracting for services they cannot perform themselves. Crafting a retirement strategy with your guidance just makes good business sense for the entrepreneur who has a business to run. Introduce prospects to the value your professional role brings to their retirement income with our client-facing piece *Finding a Retirement Lifestyle*. Order your copies today.

Conclusion

Meeting the unique retirement requirements of the self-employed can prove to be a gateway to new relationships and new business. As billions of dollars transition from ERISA plans to the Rollover IRA retirement market in coming years, don't overlook the advisory needs of the growing ranks of self-employed retirement-minded entrepreneurs.

Tough-minded and energetic, these small-business entrepreneurs have often been too busy coping with the day-to-day aspects of running their businesses to give much thought to the care and discipline required for building a lasting retirement strategy. As you encounter these self-starters don't hesitate to say to them:

“You’ve worked hard for your business.”

“I would like to work hard for your retirement.”

⁵*Rethinking Retirement* <https://wealthvest.com/white-papers/>

Next Steps: Show Self-Employed Prospects How To Ask “The Tough Questions”

Download our client-facing piece, “THE TOUGH QUESTIONS Every Self-Employed Entrepreneur Should Ask Their Advisor.”

This piece is designed to help these do-it-yourselfers begin a dialog with you about their retirement dreams.



The Tough Questions...

...Every Self-Employed Entrepreneur Should Ask Their Advisor

You've worked hard for your business. Now it's time to find a financial advisor who will work hard for your retirement.

Try asking these questions of any advisor you are considering – including me – to determine if we have the expertise you need to achieve the retirement income goals you want.

The Tough Questions	The Answers
1. I've been a do-it-yourself most of my career. Why should I hire a financial advisor to help me?	
2. What is it about your work history that would attract self-employed entrepreneurs?	
3. What successes have you had developing retirement strategies?	
4. How will I know if my money is safe?	
5. What happens to my investment if the market goes down?	
6. What has been your greatest professional and academic accomplishment?	
7. What do your licenses mean?	
8. What is different about your approach to retirement income strategies?	
9. How will I know if you are working in my Best Interest?	
10. Have you ever had a business conflict?	

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Establish a Goal of Emailing 10 Copies of “The Tough Questions” a Week
To Self-Employed Business Persons for Four Weeks -- and Track Your Results

Check the Boxes

	Week 1	Week 2	Week 3	Week 4
1				
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We pride ourselves on creating a seamless experience that gives people exactly what they need — no distractions, no frustration. Just honesty, accuracy and efficiency. Our customers want to see results. So we create products that perform every time: client-focused, no fuss, with smart indexes and low fees. We believe that annuities are a core part of smart financial planning. Less risky than stocks and with competitive returns. So we offer streamlined annuities that perform as promised — so you can plan for new possibilities.

Our product lines include variable annuities, fixed annuities, fixed index annuities, and variable life insurance. Delaware Life manages approximately 320,000 in-force annuity and life insurance policies representing \$36.4 billion in assets under management and \$14.2 billion of invested assets as of December 31, 2017.

We work with a national network of financial professionals to help people make smart decisions as they build for their future. Founded in 2013, Delaware Life is a proud member of Group One Thousand One: an ecosystem of businesses making insurance more useful, intuitive, and accessible for everyone.

Consider These Exceptional Fixed Index Annuities from Delaware Life

Delaware Life Target Income 10SM*

A flexible premium deferred fixed index annuity built for clients focused on retirement income planning and guaranteed lifetime income. Target Income 10SM also delivers competitive accumulation potential and principal protection. With an optional rider, available for an additional cost, your clients are guaranteed an 8% simple interest roll-up on each contract anniversary for up to 10 years. And for all premiums paid during the first year of the contract, Delaware Life will add a 10% bonus to their benefit base.

Assured Income 7[®]*

A flexible premium deferred fixed index annuity that provides predictable lifetime income and a guaranteed 9% annual simple interest roll-up during the first 10 contract years. It offers a bailout endorsement and a fee refund feature at no additional cost.

Retirement Stages 7[®]*

A flexible premium deferred fixed index annuity that guarantees principal against losses and the opportunity to earn interest based on the performance of a stock market index. Optional benefits, available for an additional cost, can guarantee growth in a client's Benefit Base for income purposes and guarantee return of their premium payments without surrender charges. To provide diversification and options for a variety of market conditions, Retirement Stages 7[®] has a range of choices for earning interest, including a Deutsche Bank-sponsored index, a Morgan Stanley-sponsored index, an S&P 500[®] Index and a Fixed Account.

Retirement Chapters 10[®]*

A flexible premium fixed index annuity that guarantees principal against losses while offering the opportunity to earn interest based on the performance of a stock market index. It adds a 5% bonus on a client's first-year premium payments and has an option to guarantee growth in a client's Benefit Base for income purposes (available for an additional cost). Retirement Chapters 10[®] has a broad menu of options for earning interest—a package of choices that includes two Deutsche Bank-sponsored indexes, an S&P 500[®] Index and a Fixed Account.

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