

SelfInformed

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Member Spotlight

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The Retirement Paradox

CONFIDENCE SOARS, BANK ACCOUNTS DON'T



A Reality Check for Entrepreneurs

Raise your hand if you're a business owner who dreams of ditching the hustle and sipping pina coladas on a beach, guilt-free. Now, keep it raised if you have a million stashed away for said Pina Colada Retirement Plan.

Reality check: Despite a whopping 56% of entrepreneurs claiming total retirement confidence, their bank accounts tell a different story. Turns out, a staggering 75% of solopreneurs haven't even cracked the half-million mark, according to [BizJournal.com](https://bizjournal.com).

CNBC reveals another harsh reality: Only 13% actively participate in retirement plans, a stark contrast to the nearly three-quarters of traditional workers diligently securing their future. Solopreneurs, on average, have account balance of \$61,735, while their traditional counterparts revel in a mean balance of \$122,800.

According to SCORE, as recently as 2019: those without a retirement plan, 37% struggled with small profits, 21% used previous savings for their businesses, and 18% bank on selling their businesses to fund their golden years.

No surprise that 60% of business owners express a willingness to leave today if their financial security were guaranteed, as BizJournal.com reports.

So, let's get it straight: amid these sobering statistics, 56% express confidence in having

sufficient funds to retire, yet three out of four entrepreneurs have less than \$500,000 in their retirement savings.

So, what gives? Why the disconnect between our sunny optimism and the cold, hard reality of our retirement accounts? In this article, we will explore the common pitfalls of retirement planning for solopreneurs, essential considerations for securing your financial future, and various retirement plan options available to optimize your retirement savings.



“I’ll sell the business and the proceeds will pay for my retirement!”

As a financial advisor, I hear this often when clients discuss retirement. My advice?
Plan as if you’ll never sell.

Confident in their businesses, yet underfunded in their retirement savings, many entrepreneurs pin their hopes on the perfect windfall from selling their business. But remember, according to the Board of Governors of the Federal Reserve System, just over 700,000 small businesses didn’t survive the pandemic. Can we truly rely on such uncertainty for our golden years?

Countless young entrepreneurs I’ve seen in their 40s, with all their assets tied up in their businesses, become unexpectedly vulnerable, putting their families at risk, when business struggles or health issues arise. Businesses can be volatile and unpredictable, and without a dedicated retirement plan your financial future can be jeopardized overnight.

Don’t overestimate how much you’ll get in the end. Selling a business can be a big payday for entrepreneurs, it is important that entrepreneurs don’t count on that as their sole source of retirement income. Many times, entrepreneurs believe their business is worth much more than the actual market value, so we typically factor in a significant discount in retirement projections for our clients.

Setting up both retirement and diversified taxable accounts, and diligently saving in them, is critical for every entrepreneur. There’s no guarantee you’ll sell your business for retirement funding, and even if you manage to do so, taxes and unforeseen circumstances might leave you short. Don’t gamble with your future – start diversifying and building a secure retirement plan today.

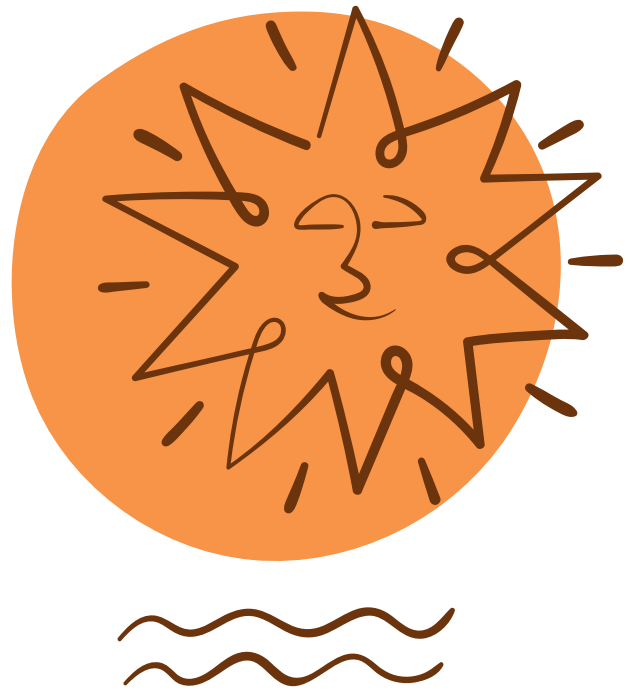
Bridging the Gap: Income Inequality and Securing Retirement

Solopreneurs earn the lowest median household incomes and experience the highest poverty rates among all workers. While the average self-employment salary in the US sits at \$84,305, this figure masks a vast income disparity. The bottom 10th percentile struggles with a meager \$47,000, while the top 90th percentile enjoys a lofty \$148,000.

Traditional W2 employees often receive onboarding reminders to enroll in 401(k) plans, prompting them to prioritize retirement savings early on. This crucial step is often neglected by solopreneurs, but it shouldn't be. No matter your current income level, you can and should act year one: open a retirement plan!

Even if your early income is modest, some plans offer powerful tax-advantaged opportunities, particularly with Roth contributions. This lets you grow your retirement savings in a tax-free account, with high annual contribution limits and no income restrictions. It's a game-changer for securing your future, regardless of current income disparities.

By taking control of your retirement planning from day one, you can bridge the gap between your present income and a secure future.



*No matter your current income level,
you can and should act year one:*
**OPEN A RETIREMENT
PLAN!**

So, what are your retirement plan options?

Flying solo gives you a lot of choices. Here are the most common self-employed retirement plans:

**Traditional
or Roth IRA**

**Traditional
Solo 401(k)
or Roth
401(k)**

**SEP
IRA**

**SIMPLE
IRA**

**Defined
benefit
plan**

Traditional or Roth IRA

Ideal for transitioning from a job to your own business. Roll your old 401(k) into an IRA to boost savings. Contribution limit: \$6,500 in 2023 (\$7,500 if age 50 or older). For 2024, it's \$7,000 (\$8,000 if age 50 or older).

Traditional Solo 401(k) or Roth 401(k)

Best for solopreneurs with no employees (except a spouse). Contribution limit: \$66,000 in 2023, plus a \$7,500 catch-up contribution. It's \$69,000 in 2024, plus a catch-up contribution. Contribute as both employee and employer for deductions and tax benefits. No IRS filing requirement unless the balance of the account is \$250,000 or more at the end of the year.

SEP IRA/Roth SEP IRA

Best for solopreneurs or small businesses with few employees. High contribution limits: \$66,000 in 2023 + \$7,500 catch-up, or 25% of income (whichever is less). Warning: You must contribute for all eligible employees, not just yourself.

Note: Historically, a SEP IRA could not be a Roth IRA. However, the recently passed SECURE Act 2.0 has made it possible to make Roth contributions to SEP IRAs.

SIMPLE IRA

Best for larger businesses (up to 100 employees). Lower contribution limits: \$15,500 in 2023 + \$3,500 catch-up (50+). Employer match or fixed contributions required. Employees can also contribute.

Note: A SIMPLE IRA cannot be a Roth IRA.

Defined Benefit Plan

Can be an attractive option for high-income earners in careers with fluctuating income, like actors, writers, and musicians, as they allow for significant contributions based on future benefit projections. Contribution limits based on future benefits and expected income.

Once you've decided to open one of these accounts, you'll have to decide where to do it.

Most online brokers will allow you to open the four most common account types: IRA, solo 401(k), SEP IRA and SIMPLE IRA. Make sure to consult with your financial advisor on this matter.

How much is enough to retire comfortably?

In my experience, the question I hear most often is: "How much do I need to retire comfortably?" My answer? "It depends."

However, a one-size-fits-all number isn't helpful. Ask three financial experts how much you need to

save, and you might get three different answers. Merrill Edge and some big banks like J.P. Morgan and Charles Schwab often use round figures like \$1 million, while others focus on your personal spending: enough to maintain 80%-90% of your pre-retirement income. Other strategies involve formulas, like saving 12 times your pre-retirement salary.

But the crucial question is: what's right for you? Your ideal retirement savings amount depends on your unique circumstances, including your desired lifestyle, income, expenses, and even your business aspirations. Ditch the generic numbers and focus on crafting a personal retirement plan that reflects your specific goals and financial reality.

Other Things to consider:

Don't undermine your Social Security. A common mistake I see among self-employed business owners is aggressively minimizing their taxes. While tax planning is important, prioritizing short-term gains by reporting very low income year after year can significantly reduce your future Social Security benefits. It's a trade-off: lower taxes now versus a smaller income stream in retirement.

Have an exit strategy. A staggering 34% of small business owners lack a succession plan, which can leave them in a difficult position as they approach retirement. Ideally, start mapping out your succession plan in your 50s, at least five to ten years before you envision retiring. This ensures a smooth transition for your business and financial security for you.

Conclusion

Don't let money worries or retirement years down the road stop you from making progress. Your future self, sipping that piña colada on a pristine beach, deserves better. Today, build the solid foundation for that dream. Research your options, explore self-employed-friendly retirement plans, and don't hesitate to seek professional guidance. Every step you take now is a brick laid on the path to a secure and fulfilling retirement. Invest in your future, because it's the only one you've got.

Written by Natalia Ivanova

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See the Latest Press Releases from NASE



NASE Releases 5-Point Checklist for Tax Returns for American Public and Small Business Community

Mar 11, 2024

With five weeks until this year's tax filing deadline, NASE released a checklist to help the small business community to prepare, organize and file the most optimized, efficient filing by April 15th deadline.

[READ FULL STORY →](#)



Four Ways Congress and the Administration Can Support a Robust Small Business Community

Feb 28, 2024

In advance of next week's State of the Union Address, NASE outlined four top small business policy priorities where both Congress and the Administration can work together to support small business owners.

[READ FULL STORY →](#)

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Your Business Could be Featured in our Monthly e-Newsletter!

We want to hear from you!

Each month NASE publishes a new Member Spotlight in our e-Newsletter called SelfInformed, a national newsletter sent to over 50,000 members across the country with the latest news about the self-employed and micro-business community. As part of this national e-Newsletter, we want to shine a spotlight on those members, regardless of where they live, who are operating successful businesses that are growing and thriving.

[GET FEATURED](#)



ANNOUNCEMENT



Dependent Scholarship Applications Opened January 1st

Multiple College Scholarships of \$3,000 are Awarded Each Year

This program is open to legal dependents of NASE Members, ages 16–24. To apply, students need to be high school students or college undergraduates planning to enroll in college for the upcoming fall semester. The application period is **January 1st through April 30th**.

[APPLY NOW](#)



Member Benefits

Visit [NASE.org](https://www.nase.org) to learn more about the following benefits!

LEGALZOOM

Online legal document preparation services to help you START, GROW and RUN your business.

[Click Here to Start your Business](#)

Kickstart your business in minutes

LLC

The simplest way of structuring your business to protect personal assets.

[Start my LLC](#)

From \$0 + state filing fees

Corporation

Plan to issue shares, go public, or go global? Go there as a corporation.

[Start my corporation](#)

From \$149 + state filing fees

Nonprofit

Create an organization to give back and be eligible for tax breaks.

[Start my nonprofit](#)

From \$99 + state filing fees

Doing business as

Go by a different business name without creating a new company.

[Start my DBA](#)

From \$99 + state filing fees

Helping you at every stage

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- [Seller's permit](#)
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Member Benefits

Visit [NASE.org](https://www.nase.org) to learn more about the following benefits!



Small Business Resources

AARP Sponsored Growth Grants



AARP is committed to supporting older entrepreneurs. AARP is collaborating with the NASE as a supporter of the Growth Grants program. The grants are targeting **NASE Members** who are minority business owners aged 45 and older. Through this partnership NASE and AARP are working to provide greater access to capital for business growth.

[Click Here to Learn More!](#)

Apply for a NASE Growth Grant sponsored by AARP today. There will be three winners each quarter awarded a \$4,000 grant to support the growth of their business.

[Sponsorship Showcase](#)



Sales training and coaching consultancy, with expertise and solutions for developing new business.

[REGISTER HERE!](#)

Prospecting vs. Selling

Why prospecting is not the same as selling and why it needs a different approach.

The Structure of Prospecting

3 'Must-Haves' that a prospecting method must process to generate qualified appointments for you.

Grow Sales & Grow Revenue

This is an on-demand training designed to grow your pipeline of qualified opportunities and thus grow your sales.



Member Benefits

Visit [NASE.org](https://www.nase.org) to learn more about the following benefits!



The NASE Minute is a series of videos created by our own experts and released weekly that are designed to help you get the edge you need to help your business succeed. These videos will help you...

- **Start** Building the Business Behind Your Great Idea
- **Grow** the business You've Worked so Hard to Establish
- **Save** on the Business Expenses it takes to keep your business moving

[Click Here for the NASE Minute Archive](#)



Support Small Business Across America

At NASE we work daily with all branches of government to make sure the best interests of small businesses like yours are represented but we need your help! Use the tools and resources listed in the Legislative Action Center to let your voice be heard.

[Click Here for the Latest](#)



SMALL BUSINESS GROWTH GRANTS are Sponsored by Dell Technologies

To View the Dell Sponsored Growth Grants

[Click Here](#)

To access these benefits, visit www.Dell.com/NASE or call **(855) 900-5548** to speak with a Small Business Advisor. For any additional questions around your Dell benefits email NASE's Account Executive at Kelsey_Sewalson@Dell.com



CREATIVE SELF EMPLOYMENT

Nicole Murphy

Pronounced “en-em-dee-sigh-nz”, NMdesignz is committed to transforming creativity into unique brand marketing solutions for small to medium businesses. Their vision is to level the marketing playing field for clients against larger corporations with big budgets. The values of integrity, creativity and commitment are woven into the fabric of their work.

NMdesignz is a mighty little team of creatives, photographers, videographers, strategists, mom’s, snowmobilers, coffee-drinkers and Hobby Lobby enthusiasts located in Pepperell, Massachusetts, a little town that borders New Hampshire. No matter

the client’s focus, they look to work with those who share similar values and excitement to making an impact.

NASE member Nicole Murphy is the founder and President of NMdesignz and she grew up in Pepperell, Massachusetts and still lives there today with her husband and two daughters. She has a passion for creativity in painting, graphic design, photography and videography. She also shares a passion for snowmobiling with her husband. If someone was to describe her, they would say that she is independent, headstrong, loyal and creative.

When and why did you join NASE?

We joined NASE in October of 2023, looking to branch out of our networking bubble into a community that is geared towards small businesses.

What inspired you to enter the field you are in?

Since grade school, I have always been creative. Art was by far my favorite class. Also, growing up, I was mentored in the business field by my father's family business. Together created a thriving environment to become an entrepreneur as an artist.

When and why did you start your business?

I started in 2011 when I felt working for someone else was stifling me in my creative ability. I wanted to love what I do for work, and starting my own business to fully exercise my artistic side was the only way to do that.

How do you market your business?

I market my business through referrals, networking, and hopefully gaining exposure through NASE!!

What challenges have you faced in your business? How have you overcome them?

This economy has been very very challenging with cash flow. The rising inflation has eaten up all cash flow, putting a strain on lines of credit. How I have / am trying to overcome this is a few different ways: curb the spending for expenses, signing on with a free business financial coach, educating myself by joining financial webinars, and building a solid business plan.

Do you have any employees? If yes, how many and are they full or part time?

Yes, I currently have two part time employees, Stephanie and Brianna

What's your schedule like, what's a typical day for you?

A typical day involves getting my two young children ready in the morning, then dropping them off to school, then heading to the office. In the morning I set my day up by writing down a to-do list, then try and mark off all the "small" things on the list in the morning / mid-morning. By the early afternoon, I spend time with meetings and / or big projects that take time.



MEMBER SPOTLIGHT

Some days vary, some days I can spend all day in front of a computer, other days I could be at the summit of a ski mountain doing corporate photography! Each day is different, which is one of the things I love about entrepreneurship.

What's the best thing about being self-employed?

Every day is different, one day you can be in front of your computer all day crunching numbers, the next you can be watching a sign get installed with a crane, or standing at the top of a mountain taking photos, or you could be in scaffolding in the middle of Boston getting social media content.

What's the best compliment you've ever received from a client?

"Nicole is the most creative person I know" or

"(Working with Nmdesignz) has been the best thing I've ever done for advertising."

What's the most important piece of advice you would give to someone starting their own business?

If you are passionate / talented with something, GO FOR IT! And NEVER, EVER give up. You will feel like you are a fool at times, but DO NOT give up.

Which NASE member benefit is most important to you?

All the resources NASE offers is a wealth of information for my small business, and it's all in one place! I love that I don't have to research hundreds of websites for one topic, when all the valuable information is right at my fingertips with NASE.



Biden Address Nation, Congress Passes First Spending Bill, and the FY24 Proposed Budget is Released

It was a busy month in Washington, the President delivered his annual state of the union, Congress advanced the first of two funding bills for the current fiscal year, and the Biden-Harris Administration released its FY24 budget.

First, at the invitation of the House, President Biden delivered his State of the Union on March 7, outlining the administration's accomplishments and setting forth the legislative agenda for the coming year. Here are some key takeaways from the address:

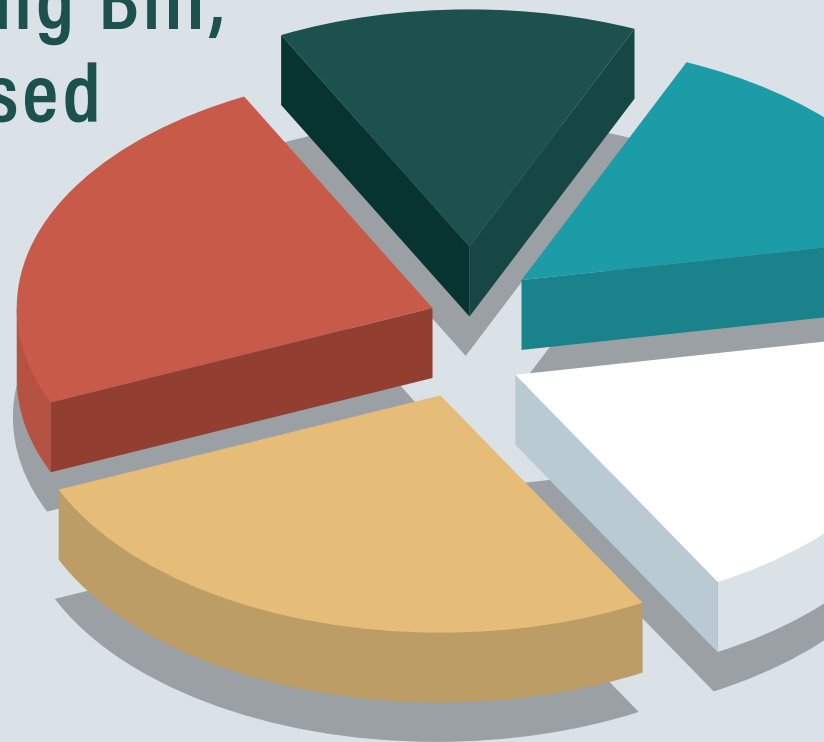
Economic Growth: The President highlighted the current administration's success in stimulating economic growth, emphasizing job creation and reduced unemployment rates, including the longest streak of below 4% unemployment.

Healthcare Reform: The President continued to highlight his efforts to lower Rx drugs through the Inflation Reduction Act.

National Security: Top of mind was the Russian war against Ukraine, Israeli-Palestine conflict following the October 7th massacre, and continued threats to Taiwan. The President argued for additional funds in support of additional funds in support of Ukraine, Taiwan, and Israeli.

Following the President' State of the Union, on March 8, Congress (overwhelmingly) passed the first of two spending bills to operate the federal government for the current fiscal year. The first spending bill covered the six of the 12 appropriation bills, specifically:

- Agriculture, Rural Development, Food and Drug Administration, and Related Agencies;
- Commerce, Justice, Science, and Related Agencies; Energy and Water Development and Related Agencies;



- Interior, Environment, and Related Agencies;
- Military Construction, Veterans Affairs, and Related Agencies;
- and Transportation, and Housing and Urban Development, and Related Agencies.

Congress has until March 22nd to pass the second spending vehicle, which includes thornier agencies such as the Department of Defense and the Department of Homeland Security.

On Monday, March 11, the President unveiled his **proposal for Fiscal Year 2025**, outlining a comprehensive plan aimed at furthering economic recovery and ensuring fiscal responsibility. The budget emphasizes the Administration's commitment to lowering costs for American families, safeguarding and fortifying Social Security and Medicare, fostering investment in the nation and its people, and reducing the deficit through measures such as combating fraud, trimming unnecessary spending, and ensuring that wealthy individuals and corporations contribute their fair share. The President's is a roadmap but is often "DOA".

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