

Retirement Planning for Small Business Owners: The Special Case of Home-Based Businesses

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The financial planning and family business research community has traditionally been interested in understanding the retirement planning attitudes and behaviors of small business owners. It is common to read reports decrying the lack of retirement planning on the part of small business owners. It is common to find inquiries asking why it is that business owners often do an excellent job of business planning but not such a good job of planning for their own retirement. One answer that is commonly suggested is that business owners are not interested in retirement planning per se, but rather, they tend to focus on succession planning. The purpose of this study was to explore this issue in more detail. We posit that home-based small businesses may, in fact, act differently than other family businesses in terms of retirement planning. This hypothesis is based on the idea that home-based business owners may be less concerned about succession planning. This may be due to the smaller size of most home-based business or the realization that the value of such a business is limited in the secondary market. As such, these business owners need to take proactive retirement planning action to prepare financially for their future.

A logistic regression procedure, using data from the 2008 wave of the National Longitudinal Survey of Youth, was employed to determine whether or not small business owners had contacted a financial planner to discuss retirement planning issues (coded 1, otherwise 0). We found that home-based business owners were significantly more likely to have sought the help of a financial planner compared to other family business owners. We also noted that net worth and education were positively associated with choosing a financial planner. Also, farmers (as business owners) were much more likely than others to work with a financial planner. The initial results support the hypothesis that home-based business owners act differently than other small business owners in relation to retirement planning.

Table 1. Logistic Regression Results of Financial Planner Use in Retirement Planning

	B	S.E.	Wald	df	Sig.	Exp(B)
Home Business	.677	.255	7.077	1	.008	1.969
Women	-.076	.269	.079	1	.778	.927
Net Worth	.000	.000	6.317	1	.012	1.000
Household Size	.052	.105	.246	1	.620	1.053
Net Family Income	.000	.000	.028	1	.867	1.000
Education	.141	.052	7.418	1	.006	1.152
Age	-.027	.056	.241	1	.623	.973
Non-Hispanic, Non-Black	-.274	.278	.974	1	.324	.760
Married	-.129	.346	.138	1	.710	.879
Number of Employees	.001	.002	.240	1	.624	1.001
Business is Farm	.970	.429	5.108	1	.024	2.639
Value of Business	.000	.000	2.937	1	.087	1.000
Constant	-2.462	2.709	.826	1	.363	.085

Nagelkerke R-Square = .17; Chi-square = 50.42 (df = 12), p < .001. 78.40% correct classification

Information and implications for research and policy makers will be provided in the poster.