

A HANDBOOK FOR BABY BOOMERS: ENTREPRENEURIAL BRIDGES TO RETIREMENT

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THE STORY

INTRODUCTION

In the summer of 2010 I went to visit several Universities in the USA to research potential barriers to entrepreneurial venturing among the Baby Boomer generation. My research was funded by the Winston Churchill Memorial Trust, under their Travel Fellowship Scheme. This is an annual competition for funds to travel abroad to pursue an area of interest that will be of benefit to others in the UK. In fact, my sponsor, Sir Winston himself was a great example of consistent endeavour - he became Prime Minister in 1940 at the age of 65 and only retired from active politics at the age of 80 when he was once again serving as Prime Minister.

This synoptic report attempts to answer the following five questions:

1. Who are the Baby Boomer generation?
2. Will Baby Boomers continue to work?
3. What has research in the USA found?
4. What has research in the UK found?
5. How can a culture for entrepreneurial venturing be created?

The Report concludes with recommendations for changes to public policy that would encourage and enable older people to remain economically active for longer.

1. Who are the Baby Boomer generation?

‘This is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning.’ Sir Winston Churchill, 10 November 1942

Worldwide the working population is both ageing and shrinking. The Baby Boomer generation (born between 1946- 1965) are now reaching retirement age in large numbers, accelerated by the effects of the 2008/2009 recession on established sectors of the economy, and raising questions about economic sustainability. To exacerbate this situation, employers have openly admitted that they have made more use of mandatory retirement age policies to cut their workforces during this recession.

Many people who have spent 20 years or more in certain sectors of the economy, in particular, the power industries - oil, gas, nuclear, electric; defence; aerospace; or government - local, regional and national; or education, are leaving their long term paid employment, either voluntarily or through compulsory redundancy and, because of a multitude of reasons, including the inadequacy of their pensions to fund their longer life expectancies, they need to or want to continue to work for up to another ten years.

The extent of the ageing and shrinking population can be illustrated by the ratio of working people to those who are economically inactive. The definition of a sustainable economy is one in which 50% of the population are economically active. In 1950 in the Organisation for Economic Co-operation and Development (OECD) countries ¹three people were working to support each person over 65 years old. It is estimated that by 2030 the ratio will only be two to one. As we quickly make progress towards an unsustainable economy, public policy must address the issue of the retirement of large numbers of Baby Boomers. The effect of this unprecedented brain drain of the most experienced workers will be a decline in the effectiveness of organisations and consequently a decline in GDP.

2. Will Baby Boomers continue to work?

‘I like work; it fascinates me. I can sit and look at it for hours. I love to keep it by me; the idea of getting rid of it nearly breaks my heart.’

Jerome K Jerome, Three Men in a Boat, Chapter 15

Contrary to the discourse that identifies the generation born between 1946 and 1965 (the Baby Boomers) as an economic burden, with the exception of those who are unable to do so for health, opportunity or lack of appropriate skills, most will carry on working in one form or another for reasons of need or desire. Moreover, an emerging trend seems to be that many who do initially retire from a full time career job in their 50s or 60s then ‘unretire’ and become economically active again a year or two later.

Another emerging trend in Baby Boomer economic activity is the new phenomenon of the ‘gap year’ or even two, followed by a new way of earning a living. In the USA, this has been well documented in the writing of Marc Freeman. Freeman writes about ‘encore’ careers that follow a sabbatical between a full time career job and the next working stage of life. He describes it as working ‘in new ways, on new terms, to new ends’. The drivers are both having to and wanting to work.

Freeman’s work focuses on those leaving corporate jobs ‘finding work that matters in the second half of life’. These jobs are usually socially motivated in education, health or other areas of public life. He advocates public policy incentives to retain corporate capability in the labour pool in the form of financial incentives such as reduced social security contributions and flexible retirement pensions that allow early or later draw down. Although enlightened public policy is on the agenda in America to address ways to ensure the continued economic contribution of Baby Boomers, it is still little discussed in the UK.

¹ The OECD was formed in 1960 from the world’s leading industrial nations and its aim is to provide financial stability and encourage world trade. The members are the UK, USA, Canada, Japan, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, , the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and Turkey.

Since the 2008 recession and the huge UK government cuts to the public sector which have followed, further exacerbated by the cuts in the government's 2010 Comprehensive Spending Review, large numbers of older people are no longer economically active and find themselves at a relatively disadvantaged position in the job market. This requires consideration of new and different ways of making a living for many of them. In August 2010 the Guardian reported that the number of jobseekers over 50 years old had risen by 50% in the previous twelve months and that the number of over 50s unemployed for over one year had risen by 52%.

The drivers for staying economically active until Statutory Pension Age and beyond are complex, and, in addition to the above, include health and family circumstances (including caring commitments), state and private pension arrangements and accumulated wealth.

3. What has research in the United States found?

'Whenever you see a successful business, someone once made a courageous decision.' Peter Drucker

In her book 'Elderly Entrepreneurship in an Ageing US Economy' Ting Zhang found that entrepreneurial activity has positive impacts on regional economic growth and should therefore be encouraged and facilitated by governments. Zhang found the benefits of self-employment among the older population, particularly the flexibility of working location and hours of work (including remote working) allowed for flexibility in the management of health conditions, care responsibilities, family life and leisure pursuits. Secondary health benefits of the empowerment and self-worth that (self) employment engenders were evident in Zhang's research. She comments that the knowledge economy is less physically demanding and that work that involves the processing of information or creative tasks can be carried out to older ages. Senior entrepreneurship has until now been a relatively unexplored area of research but it is one that is demanding increasing attention from policy analysts and governments.

In the United States the average retirement age is 62 years old which is the age of eligibility for social security benefits. Therefore in order to retain or attract older people into the workforce, either in self-employment or other roles, it is necessary to identify the factors that motivate them, provide fiscal incentives and design policy tools that encourage business start ups.

The hypotheses that Zhang addresses in her book are:

1. Entrepreneurship is an effective way to retain or attract seniors into the labour force and the knowledge economy is a fertile economic environment to enable this to happen
2. The factors which affect the propensity for self employment among older people are: R&D environment, tax policies, social conditions, personal factors to do with financial need or satisfaction needs

3. The more elderly entrepreneurs in a region the higher the regional economic growth rate, *ceteris paribus*, so the factors in regional disparities need to be identified and addressed.

Zhang's book advocates the benefits of entrepreneurship, which can be either from necessity or opportunity, as the solution to the crisis of an ageing population. Her findings are supported by the work of Alicia Munnell and Steven Sass of the Centre for Retirement Research in Boston, Massachusetts. Their book 'Working Longer: The Solution to the Retirement Income Challenge' found that more older men are working and that more older women are working too, possibly because husbands and wives like to retire together. They found that men with greater levels of education have greater labour force participation rates than any other group. Knowledge workers tend to have more rewarding, less physically demanding jobs and therefore remain economically active for longer.

In the United States the fiscal incentives are different than they are in the UK. In the US for those between 62 - 72 years old the social security test allows about \$13,000 of earnings before benefits are reduced. The lack of a free system of health care, as we have in the UK, means that many Americans need to stay in the workforce for health insurance reasons as they only qualify for Medicare at 65 years old.

The findings from the three Reports discussed below are all based on the United States Health and Retirement Study (HRS) data. The HRS data set is nationally representative. It has been collected from 12,652 people every other year from 1992 - 2004. This longitudinal data set increases understanding of the antecedents and consequences of retirement. It is an excellent source of information on job history and job transitions and of when the full time career respondents either exited the labour force or became self-employed.

The RAND² Corporation was commissioned by The Public Policy Institute at AARP, an Association working on policy issues that affect older people in the United States, to look at 'Self-employment and the 50+ population' (RAND, 2004) and three years later at 'Work and Well-being among the Self-Employed at Older Ages' (RAND, 2007).

The 2004 Report 'Self-Employment and the 50+ population' by Karoly and Zissimopoulos has three key objectives: to describe self-employment trends among the over 50s; to examine the characteristics of this group compared to those in wage and salary employment; and to identify the determinants of self-employment in older people. It is an attempt to address the gaps in knowledge about workers over 50 who move into self-employment.

² Approximately 1,600 people from more than 50 countries work at RAND. Their mission is to help improve policy and decision-making through research and analysis. RAND is a non profit institution that disseminates its research findings as widely as possible to benefit the public good. More than 10,000 RAND Reports and commentary are available online at www.rand.org

Although the overall trend in the US in self-employment rates has been downward in the past decade, these figures are deceptive both because an incorporated business is not officially tracked as a form of self employment and because incorporated business is a growing share of those who are self employed (RAND 2004 page xiv).

The 2004 Report found that about one third of self employed workers aged 51 - 69 years made the transition to self-employment at or after age 50 (RAND 2004 page xi). They found that between Health and Retirement Study interview waves, i.e. every two years, 1.9% of men and 1.0% of women on average, aged between 51 and 67, transition from full time wage employment to self-employment. (RAND page xii).

The Report identifies group characteristics for both necessity and opportunity entrepreneurs. One of the findings was that the characteristics of one identifiable group of those making this transition to retirement are that they are more likely to be female, have lower income and wealth, have a work limiting health condition and work part-time. (RAND 2004 page 90). The authors suggest that gender differences exist for employees in the opportunity to reduce hours at work and that this group have probably left their previous employment involuntarily in order to work in a more flexible way to manage health conditions. This is entrepreneurship through necessity.

This RAND Report found that another identifiable group making this transition is men with higher wages in certain occupations i.e. executive, managerial, professional, and sales. Working in these areas means they have easily transferrable skills and the opportunity for self-employment at this stage in their lives provides both more autonomy and performance related income as they transition to retirement. This is opportunity entrepreneurship.

The report found that the major determinants in people making this transition were state retirement ages, financial assets, access to capital and, for the necessity entrepreneurs the treatment of earnings among benefit claimants.

The 2007 RAND Report, 'Work and Well-being among the self-employed at older ages', is based on further research by Zissimopoulos and Karoly. The 2007 Report found that this diverse group, who had made the transition into self employment, often needed to draw down on their personal assets to effect this change in employment status and this in turn had implications for financial and other resources in retirement.

A more recent report by the U.S. Bureau of Labour Statistics (2008) on 'Self-employment Transitions among older Americans' with career jobs also found that 'self-employment becomes more prevalent with age' and that important determinants in making this transition were health status, career

occupation and financial variables. In the Introduction to the Report the authors note that some of those who choose self-employment might have worked later in life anyway (selection effects) and that for older people the chance of successful self-employment is enhanced by easier access to capital and the benefit of the long years of experience they have gained at work. The data set used for this research is again the Health and Retirement Study described above.

In 2009 a Kauffmann Foundation paper, by Dane Stangler, 'The Coming Entrepreneurship Boom' points out that self-employment is a growth area for older workers in the USA. They are increasingly likely to start their own business and the small firms they create are more likely to hire older workers. Stangler found that seven out of ten are run from home and that 75% have another source of income, usually a pension. He found that business turnover is lower than for the 25 - 49 age group start ups but that these older entrepreneurs work shorter hours and take more holidays. Entrepreneurship among the over 50s is growing in the United States. Is the situation the same in the UK? And if not, how can we create the conditions for an entrepreneurship boom?

4. What has research in the UK found?

'In order that people may be happy in their work, these three things are needed: they must be fit for it; they must not do too much of it; and they must have a sense of success in it.' John Ruskin (1819 - 1900) *Pre-Raphaelitism*, 1850

A recent Office of National Statistics (ONS) Report (Dini, 2009) on the trends in the economic activity status of older people in the UK found that potential retirement income is inadequate for many people so they will need to extend their working lives in one way or another. The Report used data from Labour Force Survey, Annual Population Survey and the English Longitudinal Study of Ageing (ELSA). The ELSA data collection was 'started in 2002 as a study of people aged 50 and over and their partners, living in private households in England. Every two years the same group of people are interviewed to measure changes in their health, economic and social circumstances'. (Sample size details and research findings are at www.ifs.org.uk/elsa/).

The 2009 ONS Report found that the employment rate of adults of older ages (aged 50 to Statutory Pension Age i.e. 60 for women and 65 for men) has increased in the last 12 years with variations in this rate by socio-economic status, highest qualification held, and other factors. Higher employment rates were found among people in managerial, professional or intermediate occupations, and who had a degree or equivalent. These are the pull factors - work is good let's stay there. On the other hand high rates of employment were found among those who still had mortgages and dependent children and low rates among those with full time caring commitments. These are the push factors - what choice do I have?

Another Report published by the Institute for Fiscal Studies (October 2010) and edited by Banks et al, based on the four waves of ELSA data collected to date, found that employment after the statutory pension age was 20% higher in the data collected in 2008 than that collected in 2002 i.e. the percentage of individuals over the statutory pension age and still economically active had risen from 8.6% to 11.7%. (This variable includes economically active 'employed' and 'self-employed'. Unfortunately this data does not permit identification of self-employment rates). The Report found 'no statistically significant difference in the probability of working between men and women aged 65 - 69' but that 'education is highly correlated with the probability of being in work' as is having an outstanding mortgage. (Page 24, The 2008 English Longitudinal Study of Ageing Wave 4).

It is recognised by government that ways must be found to motivate people to stay in work; especially for those groups that are wholly or partially dependent on benefits, opportunities and incentives to remain working need to be identified. A recent report from the Department for Works and Pensions (DWP) (2008) 'Encouraging labour market activity among 60 - 64 year olds' recognises that a major deterrent to looking for work among this group is real or perceived anxiety about benefit traps or tax on pensions. The role of Jobcentre Plus in both creating and remedying this situation was recognised. The study found a lack of understanding about recent changes e.g. the loss of Pension Credit at 60 for men, and the equalisation of the State Pension Age at 65 for women, and concluded that new ways of providing information and guidance may be necessary to improve understanding. The government's nascent Extending Working Life initiatives will rely on the role of Jobcentre Plus in 'changing perceptions about the services it provides and better supporting the employment aspirations of older workers.'

The push into self employment for older people is often instigated by the end of a full time career job and /or the lack of flexibility in the job market to reduce hours of work and at the same time access pension benefits.

A UK Report by Standard Life, The Death of Retirement, published in February 2009, found that baby boomers want to remain active. The research (1,500 adults from a representative sample, then repeated among 1,000 of the wealthiest adults) found that the baby boom generation have different needs to their parents' generation. They found that 30% of respondents want a future that involves developing new skills, and remaining in work, but on their own terms. They also found that 1 in 20 would like to start a new business when they retire from their current full time job. That amounts to one million new businesses.

The attitudes of this age group point to a new wave of enterprise and the challenge for government and society is how to create the conditions to enable people to remain productive and counter the dilemma and challenges of an ageing population. One solution might be to replicate the model that is most prevalent among well-qualified men and use self-employment as a 'bridge' between a career and full retirement. This could

be facilitated by allowing people to draw part of their pensions while still working and credit schemes for older entrepreneurs that would allow those with years of experience to set up in business for themselves in the last decade of their working lives.

The Standard Life Report found that 45% of the wealthiest adults wished to continue to work but possibly 'on their own terms' whereas only 29% of the representative sample wished to continue to work after retirement age. If reasons for this discrepancy could be identified and barriers eliminated, either through changes in the benefit, pension or tax rules or the cultivation of an increased entrepreneurial culture among the wider population, the individual, economic and social impact would be significant.

Research conducted by the Prince's Initiative for Mature Enterprise (PRIME) and the Bank of America Charitable Foundation in December 2008 found that the number of businesses started by 55 - 64 year olds had increased by 50% during the last 10 years. The research also found that 70% of these businesses were still operating after 6 years - a very favourable comparison with the overall average of 19% across all age cohorts. These findings indicate that the success factor among the over 55s is three and a half times that of younger entrepreneurs. Despite the increase in business start ups among older people and the better than average chance of success, the research also found that 16% of those surveyed had considered starting a business but, for various reasons, had not done so. It may be significant that 23% of those surveyed felt that more relevant support was needed.

PRIME, the Prince's Initiative for Mature Enterprise, estimates that transferring 1% of the economically inactive over 50s into self-employment creates at least 25,000 new jobs and results in savings in welfare payments of £175 million. Currently 15% of all new businesses are started by the over 50s and 70% of them are still going after six years. The unemployment and the business continuity figures for the over 50s are both higher than for other age groups.

Self-employment in the over 50s, whether for push or pull factors, through necessity because of redundancy or inadequate pension provision, or because of the opportunity to exploit an innovative business idea including management buyouts, is one of the best options for extending working lives. In 2011, 35% of the population is over 55 years old and therefore not only more numerous but also more fitter and expected to live and work longer than any previous generation. If the pension, tax and benefits systems were changed then self-employment could be a very attractive option for many older people obliged to work longer.

Many of this current generation of baby boomers will spend up to a decade in the transition to full retirement. Public policy should enable this, so that employment can be phased out in a financially viable way. Pension legislation should allow more flexible access and credit lines should be more widely available for those wishing to start new ventures. Whatever individual Baby Boomers are planning to do next, to either earn money or to

give something back through social venturing, they will need entrepreneurial skills and innovative mindsets.

5. Creating a culture for Entrepreneurial Venturing

‘It does not seem to be true that work necessarily needs to be unpleasant. It may always have to be hard, or at least harder than doing nothing at all. But, there is ample evidence that work can be enjoyable, and that indeed, it is often the most enjoyable part of life.’ Mihaly Csikszentmihali, *Flow: the Psychology of Optimal Experience*, 1990

Entrepreneurial venturing requires innovative mindsets, behaviours and skills. It requires a drive to seek opportunities with resilience and persistence. It requires the generation of new ideas, the gathering of resources and solving problems to make things happen. These behaviours and skills can be used to set up in business or to work in a different way for financial or social benefit.

In order to create such a culture, policy makers must address the following questions:

- How can a culture of enterprise be fostered to create the economic growth and strong sustainable communities that are needed?
- How can innovative mindsets, behaviours and skills be encouraged?
- How can people be encouraged to seek out or pursue opportunities and rally the resources to make things happen?

A 2008 Report from the Department of Business, Enterprise and Regulatory Reform (BERR) ‘Enterprise: Unlocking the UK’s talent’ identified five enablers of enterprise - Culture, Knowledge and Skills, Access to Finance, Regulatory Framework and Business Innovation. The Report draws heavily on experience in the United States in identifying the key drivers and proposes measures to increase a culture of enterprise especially among women.

An analysis of key cultural differences (page 28 paragraph 2.30, 2.31 and 2.32) identifies that ‘women largely account for the difference in enterprise levels between the UK (lower) and the USA’ because ‘women’s fear of failure is higher’ they are less likely ‘to see good business opportunities’....’or to think they have the skills to start a business’ (2.30 page 28). In the United States the success of the Women’s Business Centre network in providing more focused services, has led to pilot projects in the UK delivered by Prowess and funded by the Regional Development Agencies.

A Prowess Report by Rebecca Harding ‘The State of Women’s Enterprise in the UK’ (2007) found that the entrepreneurial (business start-up) rates for men are roughly the same in the UK and the USA. A Report a year earlier by Professor Sara Carter found that in the UK the female entrepreneurial activity rate is only half that of men. (7.6% of women in self-employment compared to 17.4% of men in self-employment). Prowess statistics also cite

a Report from the Small Business Service published in 2005 (Promoting Female Entrepreneurship) that notes that only one in fifteen women move from unemployment into self-employment but that the rate for men is one in five. Unfortunately these statistics are not broken down by age but they do lead to the conclusion that the entrepreneurial gap could be closed by initiatives directed at women and in particular at initiatives to help women move from unemployment into self-employment. More details can be found on www.prowess.co.uk

A statistical comparison of women's enterprise levels in the USA/UK taken from the 2006 Global Entrepreneurship Monitor (GEM) (Page 43, 2.65 and the Annual Small Business Survey 2006) shows that 30% of businesses are led by women in the US and only 13% in the UK; total entrepreneurship activity is 7.4% for women in the USA and only less than half that in the UK, 3.6%; 'if the UK matched US levels of female entrepreneurship there would be 700,000 more businesses in the UK.

The 2008 BERR Report also highlights that 'those aged over 50 are less likely to consider starting a business or plan to grow their businesses' (2.31 page 28). The Report promises 'The Government will also ensure that those seeking a "second career" as an entrepreneur later in life are able to access the necessary information and support to be able to use their skills and experience in their own business.' (Page 31, 2.46)

Finally, in terms of access to finance some of the major banks are helping women to become 'investment ready' by media sponsorship, establishing 'Women in Business Champions', and the provision of female friendly information events to raise awareness of investment routes and opportunities for women (More details in the section on Sources in 7.2)

In the United States education for entrepreneurs is widely available. Baruch College in New York for example runs a wide range of under and post graduate courses on an eclectic combination of business topics: emerging social media "ecosystems"; development of technology businesses; business creation opportunities associated with the internet; real estate entrepreneurship; social entrepreneurship; women as entrepreneurial leaders.

Education for would be entrepreneurs in the UK includes The Open University's distance learning level 3 module 'Investigating entrepreneurial opportunities'. The description of the course content is that it provides a 'well structured and clear learning experience for people who are drawn to the idea of starting their own venture.....this could be a completely new business...or a new service in the social or voluntary sectors where there is a need to take into account the rigours of competitive pressures.

<http://www3.open.ac.uk/study/undergraduate/course/b322.htm>

Many Universities and Colleges in the UK now offer entrepreneurship education. A wide range of courses is often available in University Business Schools. These courses are often funded through the European Regional

Development Fund or the European Social Fund to help increase the number of business start ups. Training in business skills is also available through private training providers that often work with Enterprise Agencies, Chambers of Commerce, Local Authorities or Trade Associations. The local Business Link website usually has a full listing of courses available and information on ad hoc business events.

6. Recommendations for Public Policy

‘We knew how to make our predecessors retire. When it comes to forcing our own retirement, our successors must find some method of their own.’ *Parkinson’s Law*, Chapter 1

The public policy recommendations emanating from this synoptic report primarily concern a liberalisation of government regulation of those in receipt of benefit and those on low incomes to allow them to achieve their potential for economic advancement. Initially the pathways into self employment could be made clearer and simpler and more accessible information provided regarding the interaction of pensions and benefits.

Already on the Government’s agenda is legislation to allow people to work beyond the Statutory Pension Age (SPA). To this could be added a reduction in National Insurance contributions for employers and the self-employed working beyond SPA and a reassessment of the earnings disregard for people working beyond SPA - in the US it is around \$13,000 but in the UK it is just over £1,000 per annum.

A key enabler would involve a clarification of the role of Job Centre Plus, especially their role in providing information for the over 50s and the impact working as an employee or for oneself has on pensions and benefits. In the USA the Social Security Administration funds three Centres for Financial Literacy that provide this information for people on lower incomes.

Many people over 50 may wish to retrain or gain additional skills before becoming self-employed. The government should publicise the student loan conditions to allow people to retrain. To increase the provision of entrepreneurial education the UK should adopt the US model where Small Business Development Centres are connected to Universities. This would facilitate curriculum development and workforce retraining tailored to the needs of the over 50s.

With imagination some way could be found to financially treat the caring responsibilities of older people for relatives in the same way as childcare through vouchers or tax deductions.

Other recommendations, not exclusively the domain of central government might be delegated to local authorities. For example they could publicise the pathways for career transitions into teaching or other hard to fill areas of work in their area and develop volunteer schemes that would allow

experienced older people to offset some of their council tax by delivering some of their essential services.

THE SOURCES

This section of the Handbook provides information and links to further sources of information on pathways into self-employment or other entrepreneurial activities for older people. Explanations and signposts are provided to further information on key concepts that should be understood when making decisions about a more economically stable future in later years. Relevant topics include financial literacy, self assessment tools, writing business plans, building networks, skill set requirements and risk minimisation strategies. It is an attempt to make the pathways into self-employment or a more economically independent future known.

Which way to go?

The questions Marc Freeman suggests asking yourself (Encore, p203) are:

- How would you like to spend the next five, ten or twenty years?
- What community, national or global problems motivate you to act?
- How much income do you need to earn?
- Do you want to stay in the same field or explore something new?
- Do you want to start your own business or work for an existing one?
- Are you willing or able to get additional training or education?

1. Self-assessment tools

Some of the attitudes, behaviours, personal qualities and skills that will need to be assessed to determine which path to take as a money generating bridge to retirement are available from the following sites. Some of the questions that will need answering are:

1. Is self-employment a dichotomous decision for me? - are there more factors for or against this way forward?
2. What level of risk am I comfortable with - what is my attitude to risking my financial assets?
3. How does my family feel about risking our lifestyle or finances?
4. What are my professional and social aspirations?
5. How do I feel about working alone (often the case in self-employment)?
6. Do I have the persistence and confidence to make a go of this?
7. How much time do I have available to devote to this venture?

The following websites are useful sources of information on how to identify personal strengths and skills requirements. These sites offer enough free information to make a visit worthwhile.

www.jobhuntersbible.com

A US site that is the official site for the book 'What Colour is your Parachute?' by Richard Bolles. Advice offered includes links to personality and trait tests that can be taken online.

www.selfemploymentkey.org

Offers a general overview of self employment with some links to other relevant information sources.

www.windmillsonline.co.uk

This self-assessment tool is divided into three sections:

- Where Am I? This section will help you to assess what you are really good at and what you enjoy doing.
- What Sort of Life Do I want? To help you assess the possibilities of creating a new way of life.
- How can I start Working Towards my kind of life? Creating the steps to make things happen.

Another interesting source of pre venture self assessment is provided by a questionnaire devised by Colin Grey for his PhD on enterprise culture. His 'locus of control' questionnaire assesses individual tendencies that are often indicative of an entrepreneurial attitude. Individuals with high internal locus of control believe that their behaviour and interventions determine outcomes and therefore what happens to them. This test can be taken online at

http://www.open2.net/moneyandmanagement/management_organisation/Whatmakesanentrepreneur?

Professor Ed Rogoff, US Entrepreneur of the Year 2010, co-author of 'The Second Chance Revolution: Becoming Your Own Boss after 50' describes a five step model for creating appropriate entrepreneurial strategies for later-life entrepreneurs. Although this five step model is often used in academic assessments in business schools it could also be self-administered to arrive at a business strategy. The five steps for self analysis that Professor Rogoff advocates are:

- Identify financial and other resources available for entrepreneurial venturing
- find type of business that matches abilities and goals
- develop a business plan

- are resources for this plan available or can they be obtained
- constant re-evaluation of available resources and the business plan

2. Why do it?

Self-employment in the over 50s, whether for push or pull factors, through necessity because of redundancy or inadequate pension provision, or because of the opportunity to exploit an innovative business idea including management buyouts, is one of the best options for extending working lives.

In 2011, 35% of the population in the UK is over 55 years old and therefore, not only more numerous, but also fitter and expected to live and work longer than any previous generation. The knowledge economy is less physically demanding and work that involves the processing of information or creative tasks can be carried out to older ages.

The most significant factor in new business venturing in the over 50s is the low barriers to market entry created by developments in information and communications technology. If an individual needs to or wants to become self-employed later in life and has the requisite skills, experience, energy, drive, temperament and personality, the ICT revolution enables quick and easy business start-up.

Section 6 details the level of risk involved in various types of business ventures.

3. Financial literacy

Entrepreneurial venturing requires financial literacy. The range of literacies might include an understanding of the benefits and pension systems and the treatment of earnings for those on low incomes to business finance terminology like cash flow, profit and loss and tax allowances. The latter terminology is explained in Section 5.

The treatment of earnings for those in receipt of social security or other means tested benefits is often not an encouragement or incentive to work or become self employed and the interaction of social security benefits with pensions is complex. The following sources can prove very helpful in offering individuals appropriate advice with benefits, pensions and debt issues.

www.moneyadvicetrust.org

Money Advice Trust

0207 653 9743

Money Advice Trust is a charity set up to provide free independent money advice for people with debt problems either personal or business

www.pensionsadvisoryservice.org.uk

The Pensions Advisory Service (TPAS)

0845 601 2923

An independent, non-profit making organisation, offering information and advice on all types of pensions. A very comprehensive site.

www.taxaid.org.uk

0345 120 3779

A charity set up to offer free tax advice to people on low incomes. The telephone helpline is open Monday to Friday mornings between 10am and midday.

www.ageuk.co.uk

0800 169 6565

Age UK is the new organisation formed from the merger of Age Concern and Help the Aged. Age UK Enterprises Limited is its commercial services arm. Net profits from selling products and services go directly to support Age UK's charitable activities.

Age UK produce a range of factsheets on various topics including Income and Benefits, State Pension, Pension Credit, Capital, Income and means tested benefits and How to Challenge a benefits decision. They can either be downloaded from their website or ordered by calling their advice line on 0800 169 6565 (8am - 7pm).

www.direct.gov.uk

No telephone helpline on this site - you have to contact your local Jobcentre Plus.

In November 2010 the government announced that they would start to test a new Enterprise Allowance Scheme in January 2011 in Merseyside, with a full roll-out across the country from April 2012. The scheme provides access to mentors and small loans (up to £1,000) to help unemployed people on Jobseeker's Allowance to start a business.

Currently you must have been in receipt of Job Seekers Allowance for a minimum of six months to qualify and then a New Enterprise Allowance is payable for 26 weeks. Further details will continue to appear on the website as the Scheme is rolled out.

www.primebusinessclub.com

0800 783 1904

PRIME (The Prince's Initiative for Mature Enterprise) produces a leaflet on 'Working Tax Credit: a brief guide for self-employed people over the age of 50'. If your business plan projects a low income you may be able to make a claim based on your current financial circumstances. If you are over 50 and starting up in business after a period of at least six months on benefits you need only work 16 hours a week to qualify. If you work 30 hours a week you

are entitled to extra support for 52 weeks after becoming self-employed. Your income should be around £6,420 p.a. to qualify for the full amount. If you are self-employed this amount is calculated on net profit i.e. the difference between turnover and allowable business expenses. Over this threshold Working Tax Credit is reduced by 39p for every pound of income up to a breakeven point at around £16,000 p.a.

www.hmrc.gov.uk/taxcredits

0845 300 3900

Working Tax Credit is administered by HM. Revenue & Customs HMRC
Working Tax Credit applications helpline: 0845 300 3900

4. Why write a business plan

A Business Plan is essential for potential investors or lenders and is also an invaluable tool for identifying what you know about your business idea. It should include details of key personnel who will be working on and in the business, market research into who will buy your product or service, a marketing plan on how you will get your product or service to your customers, and financial information in the form of a cash flow forecast and a profit and loss forecast for the first few years.

<http://office.microsoft.com/en-gb/templates/>

A template can be found on this Microsoft office website by selecting the full template index under plans and proposals. There are both Powerpoint templates for presenting your business and Excel templates for financial costings.

www.bplans.co.uk

This site offers comprehensive information and tools for writing business plans including financial models and start up kits for a wide range of businesses.

www.bplans.co.uk/sample-business-plans/.cfm

Templates for a wide variety of business types

[Http://articles.bplans.co.uk/writing-a-business-plan](http://articles.bplans.co.uk/writing-a-business-plan)

Several Articles on writing a good business plan

All the major high street banks offer publications and/or advice on writing business plans.

5. Business Finance

CASHFLOW

The most important financial aspect in any business is cash flow. Businesses have no certainty as to when cash will arrive. Even if they have provided goods or services of the highest quality they may not get paid immediately or not even 28 days after their invoice has been sent. For start ups this can be an immense challenge as setting up in business invariably involves outgoings from day one. Forecasting outgoings, earnings and seasonal fluctuations is a real art. But without tight control of cash flow the business will flounder.

The Institute of Credit Management has a leaflet on 'Keep the Cash Flowing' available from www.icm.org.uk or 01780 722900 or by email request info@icm.org.uk

TURNOVER

Is the total amount of money coming into the business from sales. It should not be confused with profit as it includes all the costs of sales generated.

PROFIT AND LOSS

A profit and loss account is a description of the source of income i.e. the turnover or amount of money coming into the business from sales less the costs of those sales. The cost of sales usually includes overheads, premises, wages and salaries, materials, equipment

BOOK-KEEPING AND ACCOUNTING

Accurate records of all financial transactions are important as they will be required by HM Revenue and Customs to calculate how much tax your business must pay. The sort of evidence usually required by HMRC is receipts and bank statements. Accounts may be kept by a paid accountant or by someone working in the business. They may be paper or online using software such as Excel or Sage.

TAX RETURNS

Tax returns must be completed annually, usually to a deadline in January of the following year. They can be completed by yourself or someone in the business or an accountant. Items that can be set against tax include the cost of your accountant who will also help you to minimise your tax bill for the other deductibles: transport, telephone, broadband, office supplies, accommodation, equipment and utilities.

ALLOWANCES

There are several allowances that apply to businesses in their first year of trading. HMRC self assessment helpline has fuller information 0845 900 0444 or online at www.hmrc.gov.uk

Annual Investment Allowance of up to £50,000

Enhanced Capital Allowance www.eca.gov.uk/etl/

Energy Saving Technology and Water Efficient Products that are on the appropriate Technology List

VAT

If your business turnover goes beyond the annual threshold (currently just over £60,000) then you must register for VAT immediately. Depending on your personal circumstances there may be some tax advantages in voluntarily registering for VAT even if your turnover is below this threshold. You can get information on the process from www.hmrc.gov.uk The Revenue runs short courses across the country on tax-related matters. They also have a range of national help lines and the contact numbers can be found on their website or for instant advice the local tax office can be very useful.

CREDIT RATING

Sources of credit reference information can be found on the Experian site www.experian.co.uk. A statutory credit report is £2 but they do offer a free trial report. They also offer credit monitoring. Experian is generally recognised as the industry standard but alternatives are available:

www.creditcheckinsanity.co.uk

www.checkmyfile.com

www.creditchoices.co.uk

www.creditreport.co.uk

www.econsumer.equifax.co.uk

6. Levels of risk in entrepreneurial venturing

New business start up costs vary but would include, as a minimum, most of the following: equipment (anything from a laptop to more expensive tools or machinery); furnishing a workspace (either at home or renting or buying premises); training (business skills, IT packages e.g. Sage for accounts); admin costs (broadband, telephone); advertising/marketing materials (website design and set up, brochures); a vehicle or business insurance on your own vehicle. A business requires several types of insurance: buildings, contents, professional indemnity, public liability, health and private pension.

Your business may also require Permits or Licences and Health and Safety checks, usually obtained from the local authority.

6.1. Low risk

Selling a 'skill' by working as a freelance contractor or consultant is probably the least financially risky option in self-employment. Freelance work often covers the creative professions such as photography, illustration, graphics, web design, translating, tutoring and the manual trades of childcare, plumbing, small appliance repair and many more.

Around 70% of businesses started by the over 50s in the UK are run from a home base, at least initially. If you use part of your home for business purposes you will need to seek advice from an accountant to maximise potential deductibles and from HMRC on how to do this in the most tax efficient way.

In November 2010 the government announced a package of support to encourage unemployed people to move into self-employment. One of the measures the government is proposing is to work with social landlords to allow social tenants to start up their business at home. (http://www.direct.gov.uk/en/N11/Newsroom/DG_192108)

One option for social entrepreneurs is to form a Community Interest Company introduced in 2005 and the first new type of company for 100 years. They are limited companies that conduct business for community benefit. More information can be found on the site of the Social Enterprise Unit which is based in the Office of the Third Sector www.startups.co.uk This site also has lots of useful information for starting up any kind of business from idea evaluation toolkits to finance options and case studies of social entrepreneurs.

6.2 Medium Risk

If you cannot start your business from home the financial commitment is more serious. If the business you have in mind requires premises, a studio, workshop or office space for example, this might necessitate either a purchase or a lease arrangement. Renting may be less costly but you will still probably have to pay business rates, security and cleaning costs as well as utilities and water. In addition to the former costs, buying a property from which to run your business might require a large down payment and/or a mortgage and the responsibility for maintenance and other charges on the building.

Some Local Enterprise Agencies fund managed work and office space with shared services. This may be the cheapest option in the early stages. Other communal work spaces e.g. workrooms shared by several therapists for example, can be economical and can usually be identified through local business support services.

See Section 7.2

6.3. High risk

Buying a business - how do you find one? You could try www.daltonsbusiness.com which has a range of small and not so small businesses for sale ranging from business coaching to carpet cleaning and lifestyle businesses e.g. Bed and Breakfast

When a business purchase has been identified it must be assessed and valued, finance for the purchase secured, usually with professional help from an accountant, lawyer and bank manager.

Buying a business begins with a due diligence audit and will require the support of a lawyer and/or an accountant. Things to consider are financial records for the past several years including bank statements, tax returns, inventories; asset information on property, intellectual property, licences and permits, customer lists and profiles, customer goodwill, past, current or potential litigation or other legal issues, employment contracts, contracts with suppliers, marketing campaigns and their effectiveness, and commitments for the future made by the existing owners of the business that are legally binding.

6.4. Franchises

The benefit of a franchise is that the product has already proved itself, and may be well known to people. There may however be disadvantages in the constraints of the legal agreement, so you will need independent legal advice. A franchise contract may require the payment of legal fees, inventory and supplies, promotional costs, advertising fees and payment of a percentage of the profits to the franchise company or broker.

www.whichfranchise.com

Information and advice across a range of franchise opportunities - ranging from blinds or upholstery to car washing and vending machines.

www.british-franchise.org

Links to a large number of member companies offering a range of franchise opportunities. Also links to affiliate professional advisers.

www.businessforsale.com

A range of franchise opportunities including some well known brands: Rosemary Conley diet and exercise programmes, Prontaprint, Premier Sport or Progressive which are both children's sport coaching ventures.

7. Building Support Networks

7.1. Legal Help

www.lawsociety.org.uk/choosingandusing/helpyourbusiness/foryourbusiness.law

The Law Society runs a scheme, ‘Lawyers For Your Business’, with over 1,000 members. It is designed to enable business start ups to access a free half hour business-related consultation with a Solicitor who is a member of the Scheme. There is no obligation after the free half hour meeting to subsequently formally instruct that Solicitor. On this website the Law Society offer free-to-download pdf guides on Employing Staff, Contracts with Customers and Suppliers, Leasing Business Premises and other topics of interest to entrepreneurs.

www.acas.gov.uk

The government’s Arbitration, Conciliation and Advice Service (ACAS) provides comprehensive information on all aspects of employing people from the contract of employment to termination. Updates on legislative changes to employment rights and responsibilities are explained and a list of courses delivered regionally. The site has a free e-learning course on age discrimination.

7.2. Support for starting up in Business

www.primebusinessclub.com

0800 783 1904

PRIME 50+ provides information and guidance on self employment and enterprise. PRIME (Prince’s Initiative for Mature Enterprise) is an organisation that helps people over 50 become self-employed or start up a business. PRIME publishes a practical guide “Ideas for Business” and a free 50+ Business Pack which you can download from the website or request a copy on the 0800 number.

www.startups.co.uk

020 8334 1600

A comprehensive and useful site for advice and information on business start ups, supported by advertising by the major banks, insurance and technology companies. How to guides are provided on a range of subjects including Invoice Discounting and Factoring.

www.businesslink.gov.uk

0845 00 66 888

The Business Link service will cease to be funded after this year but the website is the product of years of hard work and well worth a visit. The site has links to many government services including tax self-assessment forms and various licence applications. Interactive tools for running a business are

provided and links via Contracts Finder to public sector procurement opportunities. There is detailed information on government grants and business events and training courses throughout the UK

All the Banks offer business support.

www.natwest.com/business/starting-a-business.ashx

www.barclays.co.uk/StartUpSupport/Startingyourownbusiness

www.hsbc.co.uk/Busiess-Start-Up

In addition to their generic support HSBC also have 'Women in Biz Champions' www.business.hsbc.co.uk/1/2/womeninbusiness/home

www.prowess.org.uk

Prowess is a UK Association of organisations who support women to start up and grow businesses. Its website contains a range of statistics and publications on women's enterprise support. The site has regional directories of business support for women for some parts of the country (East of England, South East, East Midlands and South West). The site also has a Report from 2003 (Who Benefits?) on the difficulties encountered by women in making the transition from unemployment to self-employment. It identifies the 16 hour working limit rule and the low level of earnings disregarded (this has not changed for 25 years for individuals (£500) and only marginally for lone parents (£1,040 p.a.) before benefits are cut, as the two most significant barriers.

www.start.biz

This is the website of the National Business Register. It offers information, advice and guidance on setting up a new business. It offers free searches on all data and registration and protection of business identity.

www.help-me-now.biz

0844 4457571

A new site where you can ask quick questions, that need to be answered by a professional, or just get some general business advice. The site is a free brokerage for business advisors many of whom provide an initial free advice interview. The advisors undergo a quality checking process.

www.linkedin.com

Five Million people in the UK use LinkedIn as an online business networking platform. They use it to market themselves, their skills, services and products. LinkedIn is an increasingly key business tool for developing networks and creating a business profile.

www.yell.com

Under business organisations or associations you can usually find details of the local Chamber of Commerce and Chamber of Trade and other local business support links.

www.connexions-direct.com

Connexions Direct career service, although essentially designed for 18 - 30 year olds may offer useful advice for the over 50s too. It has a section on Starting Your Own Business which has a useful section on tax.

7.3. Services for business start ups

www.mintel.com

An important source of market research

www.companieshouse.gov.uk

Information on the incorporation and dissolution of limited companies. Company names need to be registered. A limited company is an asset and if you form one you will become an employee of your company. You are not responsible for losses (limited liability) and if the company makes a profit, corporation tax is payable.

www.nominet.org.uk

To find if the chosen domain name is available. If this is so you can buy the domain name from a variety of sources. You can register your domain name or url on this site.

www.start.biz

0800 069 9090

National Business Register LLP offers a package including domain name, website design and Paypal integration.

www.ageuk.co.uk

There is a useful guide on this website to buying a computer suitable for your business needs which might include standard office programmes such as word/excel/ and maybe specific packages like sage if you are going to do your own accounts.

www.bl.uk

Intellectual property is an amazingly complex area. The British Library website may be useful initially as it has a section devoted to this topic

www.patent.gov.uk

For matters involving trademarks, patents, copyright, design rights.

www.ipo.gov.uk

Intellectual Property Office. It offers help with patents, trademarks, copyrights.

www.invent.org.uk

Institute of Patentees and Inventors. Advice to members on the complex issues relating to invention and innovation. It covers Intellectual property rights, originality searching, manufacturing practices, pricing practices and much more.

8. New business skills - where to start

The following links may help to answer some initial questions and define the issues to be addressed in acquiring new skills. For example: what funding is available and for which courses; what level of training is required for optimum business performance; is learning to take place face to face or electronically. You could also start by talking to your local Chamber of Commerce, Further Education College or University Continuing Education Department or Business School.

www.ucas.ac.uk

0870 1122211

The Universities and Colleges Admissions Service (UCAS) for details about all higher education courses. You will need to pay tuition fees for higher education courses but you may be entitled to a reduction if you have a low income. Fee reduction policies are unique to each Institution so for each course fee the college or university needs to be contacted directly.

There is no upper age limit for eligibility for a student loan to cover tuition fees, but for a student loan for maintenance (living costs), you must be under age 60 at the start of your course.

www.nextstep.direct.gov.uk

0800 100 900

Next Step is a careers advice and guidance website provided by the Department for Innovation, Business and Skills. It has a section on job profiles and also a searchable database of course providers. It can be used to check available funding for courses and training. A telephone advice helpline and a face to face advice service by appointment (0800 100 900) are both available.

www.prospects.ac.uk/links/fundstudy

Some courses attract a bursary or other institutional funding. Check this out at prospects site along with qualifications required and other useful information.

www.prospects.ac.uk/start-up
www.prospects.ac.uk/links/options
www.prospects.ac.uk/links/sectorbs
www.prospects.ac.uk/links/occupations

www.learndirect.co.uk

0800 101 901

Online courses in a wide range of business subjects including IT, financial management and business administration. Courses range from NVQ Level 2 to Level 5 and include business training in software packages including Sage Accounts.

www.open.ac.uk/openlearn

The Open University has resources freely available online. Although these resources are available cost free, registration is necessary in order to become OU students and have the support of a tutor and gain qualifications.

www.reach-online.org.uk

020 7582 6543

Volunteering can be a good way to get experience if you want to try something new. Reach brings together voluntary organisations and experienced people who want to offer their career skills as volunteers. It recruits volunteers with managerial, technical and professional expertise to benefit voluntary organisations.

www.taen.org.uk

020 7843 1590

The Age and Employment Network (TAEN) is committed to better opportunities for older people to continue to learn, work and earn. The Network has a membership of 250 organisations and groups in the UK and their website provides details of these groups and information on recruitment agencies, careers guidance agencies and employers.

Please contact me with any queries, amendments or updates:

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