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The new entrepreneurs: Americans over 50

Layoffs, desire for flexibility, tech advances fuel start-ups

By Jim Hopkins
USA TODAY

SAN FRANCISCO — Entrepreneurship, waning in recent years, is getting a big boost from an unlikely source: older Americans starting companies.

Call them grandma-and-grandpop businesses. New research shows 5.6 million workers age 50 and older are now self-employed, a 23% jump from 1990. The numbers are expected to rise further as baby boomers seek more job security, Americans get older and cheaper technology drives down start-up costs.

The trend challenges conventional wisdom that entrepreneurs are mostly young. They're just as likely to be folks like Franny Martin, who launched a Michigan cookie company in 2002 when she was nearly 56.

Business is hot: She expects \$500,000 in revenue this year, nearly triple last year's. "I'm thrilled!" says Martin, a 30-year corporate veteran.

Older Americans are entrepreneurship's bright spot. Overall self-employment fell during most of the past decade, edging up only recently. That weak performance is worrisome because entrepreneurs fuel the economy by buying computers and other goods and by creating most new jobs and innovations.

To be sure, entrepreneurship isn't a slam-dunk for older corporate refugees. They often lack skills, such as tech know-how or marketing smarts. They may underestimate health care and other start-up costs. And they risk gambling retirement savings on a venture that may go belly-up.

"People tend to romanticize self-employment. They think everyone will wind up like Steve Jobs," the Apple Computer co-



By Eileen Blass, USA TODAY

Business is cooking: Franny Martin, 58, started Cookies On Call two years ago. She sells 47 kinds of chocolate-chunk cookies on her website.

founder, says Jules Lichtenstein, a senior policy adviser at AARP, the seniors' advocacy group.

Despite the risks, more older workers are coming to entrepreneurship's rescue, chasing self-employment because of:

► **Corporate layoffs.** Boomers want the security of being their own bosses when corporations are slashing payrolls, tossing fiftysomethings into a dicey labor market. One-third of AARP members work, and many need to work beyond the traditional retirement age of 65. "It's one of our pillars of retirement income," Lichtenstein says.

Near Atlanta, Jim Minick, 51, started an elder-care business in

AS SEEN IN USA TODAY'S NEWS SECTION, JANUARY 18, 2005

2003 because he feared another layoff. His Home Care Georgia in Smyrna helps people with daily tasks at home, such as getting dressed. It became profitable in 2004. Minick expects more than \$140,000 in revenue this year.

In 25 years of human-resource and sales jobs, Minick was laid off three times. "You don't want to find yourself 55 or 60 with no one wanting to hire you," he says. "That's a concern with any 50-year-old."

► **Shifting values.** Older workers want more flexible schedules to spend time with aging parents or on hobbies while easing into retirement.

Near Phoenix, Bill Gluth, 54, started a small-business consulting firm in 2001 after leaving a marketing job at a graphics company. He expects to take more annual vacation: as much as two months. He's also looking forward to favorite pastimes such as playing drums. "I have that flexibility," he says.

That's typical of entrepreneurs 50 and older, according to new research by the think tank Rand, based in Santa Monica, Calif. About 41% work part time vs. 26% of workers that age employed by others.

Gluth started Develop Your Vision after the sale of his employer dropped him at a crossroads. He could have stayed with the new owners or sought work at another company. But Gluth chose self-employment because he didn't want to "work for new people and start the ball all over again."

► **Aging Americans.** The number of Americans age 50 and up will soar by 31 million by 2020, to 118 million, the Census Bureau predicts. Much of that represents the aging of the huge baby boom generation.

Growth is also driven by rising life expectancy, giving workers a shot at second careers as entrepreneurs, says Jim Hoopes, a business history professor at Babson College. Americans born in 1950 are expected to live to age 68 — 20 years longer than those born in 1900. And those are just averages. With good health care, many workers can pursue entrepreneurship well past traditional retirement age.

Martin, now 58, plans to work many more years as she builds Cookies On Call in Saugatuck, Mich., into a bigger enterprise. She sells 47 kinds of chocolate-chunk cookies through her Web site for \$16 to \$17 a dozen. With one employee and plans to add more this year, Martin craves a workplace more like the ones from early in her marketing career at McDonald's and other companies. "I want to create jobs . . . where people can't wait to come to work," she says.

► **Innovative technology.** Many start-ups by older entrepreneurs are one-person ventures in home offices with a dizzying array of technology that didn't exist or was too pricey

20 years ago.

Desktop computers and powerful software tethered to the Internet let home-based businesses compete with bigger firms. "Technology is absolutely key in all this," says economist Lynn Karoly, co-author of the Rand study.

Gluth, for example, outfitted his home office with new furniture, a fax machine and a computer armed with publishing software and high-speed Internet access. Total cost: less than \$5,000.

Martin's Web site, which attracts cookie customers from around the world, cost \$3,000 to build. Without the Web, she'd spend more time on the road selling to a much smaller market, pinching growth, she says.

► **Business savvy.** Many corporate workers, entering their 50s, leverage management skills and retirement benefits to invest in start-ups.

In Memphis, Steve Simons and partner Russell Bane racked

Older Americans boost entrepreneurship

Entrepreneurship is highest among older Americans, says new Rand research that forecasts a self-employment boom as the U.S. population ages.

More self-employed workers age 50 and up are women and minorities:

► **Entrepreneur:** Lisa Hunting, 51, MirrorMate, Charlotte
 ► **Started:** 2004
 ► **Sells:** Specialty frames for mirrors
 ► **Employees:** Five
 ► **2005 revenue (projected):** \$1 million



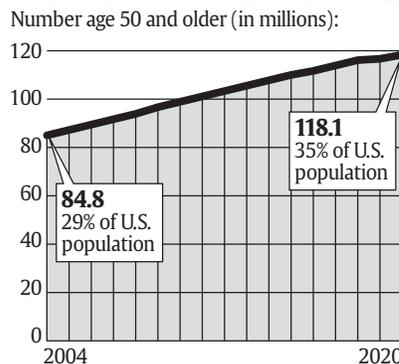
Hunting got her business idea after moving to a home in Charlotte with big bathroom mirrors that needed to be dressed up with decorative frames.

► **Entrepreneur:** Jim Minick, 51, Home Care Georgia, Smyrna, Ga.
 ► **Started:** 2003
 ► **Sells:** Residential elder-care services
 ► **Employees:** 26 part-timers
 ► **2005 revenue (projected):** \$143,000



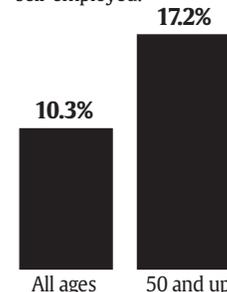
Minick, who worked for years in human resources, wanted a business with growth potential that focused on helping people.

As the number of older Americans rises ...



... Entrepreneurship rates also rise with age

Share of workers who are self-employed:



By Frank Pompa, USA TODAY

AS SEEN IN USA TODAY'S NEWS SECTION, JANUARY 18, 2005

up years in the furniture industry before opening their built-to-order furniture-making company in 2001. They were 53 and 54, respectively.

They could tap industry contacts for deals on sewing machines, fabric and other goods to launch Seat Co. Those deals slashed start-up costs to less than \$50,000. Most of that was spent creating the Web site handling all orders. "That's our showroom," Simons says.

Seat Co. has eight employees and sells furniture ranging from \$265 glass-top end tables to \$1,500 sofas in burgundy red leather. Simons predicts more than \$1 million in revenue this year as he and Bane show furniture can still be made profitably in the USA.

Beating the odds

Like many entrepreneurs, Seat Co.'s founders are trying to beat business failure rates, an especially risky gambit for older workers who may struggle to regain corporate jobs if start-ups don't succeed.

Overall, 33% of start-ups fail after four years, says the Small Business Administration, because owners underestimate skills they'll need or expenses they'll encounter.

Martin knew little about accounting, business law or technology when she started her cookie company. She learned to focus on what she knew best — marketing — and hired accountants, lawyers and a Web site developer for the rest.

"You can't do everything yourself," she says with a sigh. "To be successful, you have to be willing to say, 'I don't know.'"

Health insurance costs are another unexpected burden for older entrepreneurs. Minick got health coverage from his last employer for 18 months after leaving.

Then, shopping for his own health policy, he was stunned by the rates: as much as \$700 a month. Rather than spending that much, Minick bought coverage through his wife's employer.

That wasn't an option for Gluth, single when he started his consulting business. He went without insurance for about three months, a "nerve-racking" experience, after coverage from his former employer expired. Since then, Gluth has married. He and his wife, Michelle, who also is self-employed, pay a

combined \$275 monthly for policies with high \$5,000 deductibles. While searching for coverage, Gluth encountered loads of too-good-to-be-true offers for older workers.

Despite the pitfalls, like other older entrepreneurs, cookie-maker Martin couldn't imagine any other life.

"I wouldn't want to be younger," she says, lugging heavily laden cookie sheets. "I just wish my back was the back I had when I was 18."

Marketers are targeting older entrepreneurs

The older-entrepreneur start-up trend is a bonanza for companies from FedEx to Staples seeking new customers.

To capture more business, marketers are fine-tuning sales campaigns for older entrepreneurs, especially those uncomfortable with technology.

FedEx, which last year bought Kinko's for \$2.4 billion, wants to be the "back office" for home businesses buying videoconferencing and other services. Its pitch: "You don't have to worry about the technology," says Tom Leverton, FedEx Kinko's senior vice president.

Office-supplies retailer Staples, focusing more on entrepreneurs ages 35 to 54, this year is rolling out more home installation for gizmos such as wireless Internet networks.

A single entrepreneur buys only so much. But older ones often hire other self-employed workers to complete projects. In the evolving economy, these "virtual teams" flex big buying power, says Terri Lonier of Working Solo, a consultant to companies doing business with very small firms.

Bill Gluth, 54, has hooked up with a dozen other entrepreneurs since starting his small-business consulting firm in 2001. All of them have been within five or so years of his age. They often swap tips on computers, software and other gear, a trend recognized by marketers.

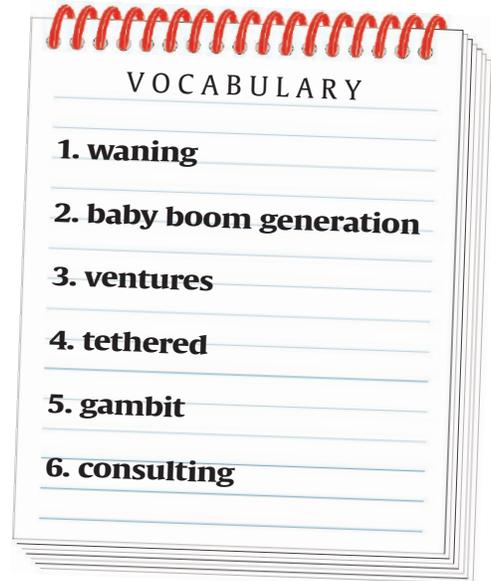
"This is a golden moment in terms of reaching this demographic," Lonier says.

The new entrepreneurs: Americans over 50

APPLICATIONS: *business, entrepreneurship, comparison, prediction*

DISCUSSION: Why is entrepreneurship experiencing a boost right now? What conventional wisdom does this trend challenge? How do entrepreneurs fuel the economy? Why are older Americans increasingly interested in self-employment? How do older entrepreneurs' priorities and goals differ from their younger counterparts'? Do you think it would be easier to establish your own business early in your career or later on in life? Explain your reasoning. If a parent or relative started a company, what could you learn by working for them?

ACTIVITY: Divide a sheet of paper into five columns labeled: corporate layoffs; shifting values; aging Americans; innovative technology; business savvy. Then, divide the paper in half, and labeled the top row "today" and the bottom one "20 years from now." Describe the current and future landscapes (as you envision them) in each category. Compare your ideas with a peer's.

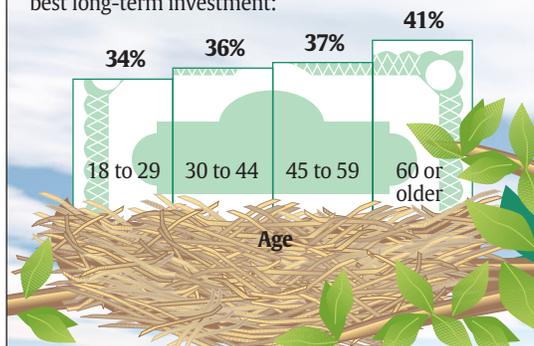


Money Matters

USA TODAY Snapshots

Younger investors doubt stocks are for the long haul

Respondents who agree that the stock market is the best long-term investment:



Source: Knowledge Networks survey of 1,400 respondents conducted in March. Margin of error ±2 percentage points.

By Darryl Haralson and Marcy E. Mullins, USA TODAY

APPLICATIONS: *economics, personal finance*

Why do you think a person's confidence in the stock market increases as he or she gets older?

Two of the most well-known types of investments are stocks and bonds. However, the two differ significantly in their structure, risks and returns (the amount the investor makes).

A bond, put simply, is a form of debt in which the investor is the lender instead of the borrower. Bonds are contractual loans made between investors and institutions that, in return for

financing, will pay a premium for borrowing, known as a coupon.

Stocks are a form of ownership; they represent participation in a company's growth. Generally, investors are given no promises about returns on their initial investment. In fact, the profitability of the investment relates directly to the company's rising profits.

In your opinion, which is the sounder investment? Explain your reasoning.