

# United States



## Self-Employment in the United States

Self-employed people must pay Social Security and Medicare in the form of a SECA tax (Self-Employment Contributions Act). This equals 12.4 percent of earnings up to \$118,500 (2016) for Social Security and a 2.9 percent Medicare tax on entire earnings<sup>1</sup>. The self-employed have a number of tax-advantaged options available for saving for retirement, including Individual Retirement Accounts (IRAs), Simplified Employee Pension Plan (SEP) IRAs, Individual 401(k)s, annuities and more. These different options have different rules and savings limits. In 2015, the myRA was introduced to provide a safe, simple and affordable route to those without access to employer-sponsored savings. Trade associations, such as the Freelancers Union, also provide affinity plans covering retirement savings. The self-employed in the U.S. are very positive about retirement; 71 percent associate it with positive words such as leisure and freedom. Eighty-six percent feel personally responsible for making sure that they have sufficient income in retirement (well above the global average of 75 percent). Almost half (47 percent) say that their personal retirement plan is well-developed, which far exceeds the global average (38 percent). More than a third say that they save for retirement on a habitual basis. More than half (56 percent) of the U.S. self-employed expect to retire at an age older than 65 (compared to just 40 percent globally).

### Key country indicators



**6.5%**<sup>2</sup> of workers are self-employed



**61%**<sup>3</sup> of self-employed are men



**66 years** official retirement age (when full entitlements are payable)

### Profile of American self-employed



**\$46.0k** median personal income



**94%** cite positive reasons for becoming self-employed



**71%** are sole-proprietors



**15%** will sell their business to prepare for retirement

### What attitudes and expectations do the self-employed hold toward retirement?



Confident you will be able to fully retire with a lifestyle you consider comfortable

**US: 25%**      **Global: 26%**



Proportion that expect to retire at over 65 (includes never)

**US: 56%**      **Global: 40%**



Envision a flexible transition to retirement

**US: 69%**      **Global: 69%**

### How are the self-employed planning and saving for retirement?



Habitual savers

**US: 36%**      **Global: 34%**



Have a written retirement strategy

**US: 20%**      **Global: 13%**



Have a backup plan

**US: 39%**      **Global: 38%**

This country profile is part of the report “Retirement Preparations in a New Age of Self-Employment” and contains research findings from the fifth annual Aegon Retirement Readiness Survey. To read the full report and view videos and infographics, please visit: [aegon.com/Self-Employed](http://aegon.com/Self-Employed)

#### **Sources:**

<sup>1</sup> <http://www.inc.com/encyclopedia/self-employment-contributions-act-seca.html>

<sup>2</sup> [OECD Self Employment rate \(2014\)](#)

<sup>3</sup> [OECD Self-Employment, proportion male \(2014\)](#)

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