

NFIB Research Foundation



National Small Business Poll

NFIB National

Volume 5, Issue 3
2005

Small Business Poll

Retirement

NFIB National Small Business Poll

The *National Small Business Poll* is a series of regularly published survey reports based on data collected from national samples of small-business employers. Eight reports are produced annually with the initial volume published in 2001. The *Poll* is designed to address small-business-oriented topics about which little is known but interest is high. Each survey report treats different subject matter.

The survey reports in this series generally contain three sections. The first section is a brief Executive Summary outlining a small number of themes or salient points from the survey. The second is a longer, generally descriptive, exposition of results. This section is not intended to be a thorough analysis of the data collected nor to explore a group of formal hypotheses. Rather, it is intended to textually describe that which appears subsequently in tabular form. The third section consists of a single series of tables. The tables display each question posed in the survey broken-out by employee size of firm.

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NFIB National
Small Business
Poll



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Volume 5, Issue 3
2005
ISSN - 1534-8326

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NFIB

The Voice of Small Business.®

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National Small Business Poll



Retirement

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Executive Summary

- Sixty-eight (68) percent of small-business owners have given at least “quite a bit” of thought to retirement, financial planning for retirement, and their relationship to the business at retirement. Just 5 percent have devoted no real thought to these matters. An important reason for the extent of consideration given to them is that the median age of owners is over 50 years.
- Half of small employers plan to dispose of their current businesses through sale or closure at or prior to retirement. Twenty-nine (29) percent expect to pass their businesses on at retirement and another 22 percent expect neither to sell nor to relinquish their operation.
- Forty-six (46) percent of small employers intend to never fully retire. Another 23 percent will retire at 65 or older with half that number retiring at 70 or older. Sixty (60) percent of those intending full retirement at some point expect to phase-out, rather than to retire abruptly. The median age for starting to phase-out is 61 years.
- Thirty (30) percent of small employers sponsor a pension plan, a 401(k) being the most common type. Ninety (90) percent of owners participate in their firm’s pension plan. Plans where they exist are typically instituted about five years after the business started operations (or changed ownership).
- There is often a trade-off between the provision of employee pension and health insurance benefits. Twenty-one (21) percentage points more small businesses offer the health benefit than the retirement benefit. Of those that provide both, the health benefit was instituted first by an 8-1 margin (10 percent instituted both at the same time). Of those that provide neither, the health benefit would come first – if the employer were to provide either – by a 5-1 margin.
- Small-business owners plan to rely on a median of four sources for their retirement income. The most common source is savings and investments unrelated to the current business and Social Security retirement benefits. Ninety-one (91) percent expect to use the former as retirement income and 88 percent the latter. The next most frequent expected source of retirement income is sale of the business or its operating profit (80%).
- The most important sources of retirement income in terms of amount received will be savings and investments unrelated to the business and sale of the business or its operating profit. Most expect to receive little from Social Security and employment or a job unrelated to the current business.
- Of the retirement income sources assessed, a pension unrelated to the current business, a pension earned as part of the current business, and an inheritance or bequest ranked at the bottom, both in terms of expected frequency of use and share of retirement income generated.
- Seventy-nine (79) percent of small employers are at least somewhat confident that they will have adequate income to live comfortably in their retirement years. Just 6 percent are not at all confident. This assessment may be optimistic. While a 61 percent majority say their retirement financing activities are on, or ahead of, schedule, 38 percent say they are behind.

Retirement

The American pension system, including Social Security, tax-favored pension incentives, and the financial health of the Pension Benefit Guarantee Corporation, are prominent public policy issues to which Washington has devoted notable attention recently. The repeal of the Estate and Gift Tax, also known as the Death Tax, while not directly a retirement or pension issue as are those just noted, is clearly a highly visible associated matter. Small-business owners are traditionally tied to these policy issues in their role as employers. They fund half the Social Security premium, for example, and almost one-third sponsor employee pension plans. However, small-business owners are individuals who also age, have retirement objectives, and need income in later life. These issues frequently involve eventual disposition of the business with all its personal and non-personal consequences. Therefore, this issue of the *National Small Business Poll* directly addresses small-business owner Retirement, including their retirement plans, expectations, and sources of income.

A narrow slice of smaller firms are operated by professional managers, not owners. Eight percent of survey respondents fit this non-owner operator classification (Q#D1). Some of these managers are heir-apparents, such as a son or a long-serving, valued employee who has a reasonable expectation that the current owner will sell or otherwise transfer the business to him or her. Somewhat over one in three (38%) current non-owner operators or about 2 percent of the population are heir-apparents (Q#15). Since these managers are likely to also become owners, their responses have been included in the totals.

Retirement

One-third (34%) of all small-business owners say that they have given extensive thought to retirement, financial planning for retirement, and their relationship to the business when they retire (Q#1). Another 34 percent say that they have given these matters quite a bit of thought. Only 5 per-

cent indicate that they have devoted no real thought to retirement and associated considerations. Thus, more than two-thirds have given retirement much thought and another large share (26%) have given it at least some.

The most obvious reason for the degree of consideration given retirement is the age of the small-business owner population. Forty (40) percent of small employers are 55 years or older (Q#D8). Only one in 10 is under 35. While small-business owners are likely more familiar with financial issues than is the population as a whole, age likely motivates them to address retirement matters more seriously than most others. Still, age is only modestly related to the extent of thought given retirement, financial planning for retirement, etc. One explanation for the weak relationship between age and attention to retirement issues among small-business owners is that so many of them simply never intend to fully retire, a proposition that will be discussed subsequently.

The most interesting question, at least to outside observers and policy-makers, is disposition of the business at retirement. What happens to the business when the owner retires? It is well-known that businesses have a high turnover rate. A young person owning/operating a relatively new business can, therefore, only speculate on the disposition of the business at retirement. It is statistically not likely that such an individual will own the same business three to four decades later. Still, just 18 percent believe that they will sell or close the business before they retire and 6 percent more are not certain (Q#2). Another 25 percent of current owners believe that they will sell or close their businesses at retirement. Seventy-one (71) percent in these two groups see themselves selling compared to 28 percent who believe they will close (Q#2a). Owners who indicate that they will dispose of their businesses prior to retirement are about as likely to say that they will close as sell. Approximately three of four among those who will dispose of their businesses at retirement expect to sell.

Still, over half of current small-business owners plan to remain attached to the business at retirement. Twenty-nine (29) percent expect to pass on the business at retirement. Another 22 percent expect neither to sell nor close their firms at retirement. Effectively, they plan to hold on.

Aside from the obvious uncertainty of plans, the difficulty interpreting these results is that so many intend to never fully retire. So, disposing of a business at retirement is a meaningless concept to them. Rather, the act is to occur sometime in later life. But the data do indicate that about half of the owners will sell or close their enterprises; somewhat more than a quarter will effectively pass them in their life-times to another person (the timing perhaps depends on final disposition of Estate and Gift Tax policy); and, somewhat less than a quarter will continue on, perhaps willing it to a family member upon death.

Age of Retirement

Forty-six (46) percent of small-business owner respondents report that they never will fully retire (Q#4). While health and family considerations among other things

could change those expectations, their current intentions match the high-energy profile often put forward as characteristic of business owners. Another 11 percent do not intend to fully retire until at least the age of 70. Twelve (12) percent more expect to retire between 65 and 69. The Social Security retirement age is currently 65+, but scheduled to rise gradually. Thus, as matters now stand, about seven in 10 business owners expect not to fully retire until after the “official” age. One in 10 expects to fully retire before age 60.

Retiring abruptly and phasing-out are two different approaches to retirement. Sixty-one (61) percent of those who intend to fully retire at some point plan to phase-out compared to 39 percent who intend to leave the work force abruptly (Q#4a). Of those who intend to phase-out, many expect to phase-out over a relatively short period. Fourteen (14) percent of those planning to phase-out indicate that they intend to begin retiring before age 55. Another 58 percent of those phasing-out or 34 percent of the population expect to begin phasing-out between 55 and 64.

The poor performance of the stock market over the last five years (roughly from the beginning of the decade) has influenced the retirement plans of many small-business owners. One in five (20%) say that the market has caused them to change retirement dates (Q#5). Given that investments are a major source of retirement income for many small employers, the losses incurred during the five-year period had the expected effect. Not surprisingly, those most influenced by the market decline were between 45 and 64 years old.

Pension Plan in the Business

Thirty (30) percent of small employers sponsor a retirement benefit in which at least some of their employees participate (Q#6). Larger small employers, i.e., those employing 20 or more people, are over twice as likely to offer such a plan as are smaller small employers, i.e., those employing nine or fewer. The key divide seems to lie between 10 employees or more and nine or fewer. The former group is twice as likely as the latter to sponsor one.

The most frequently sponsored plan is a 401(k). Thirty-seven (37) percent of all

firms sponsoring a plan have one (Q#6a). However, by a 63 percent to 27 percent margin, larger small firms are far more likely to have this type of plan. That means 35 percent of the largest firms sponsor a 401(k) in contrast to 7 percent of the smallest.

The second most common type of plan offered by small employers is the SIMPLE plan (21%) followed by the SEP (Simplified Employee Plan) (19%). However, the SEP is notably more common among the smallest than is the SIMPLE. Since institution of the SEP predates institution of the SIMPLE by several years, it is not yet obvious that small employers prefer one over the other.

Just 5 percent of those with a pension plan or about 2 percent of the population offer some type of defined benefit plan. Nine percent report a profit-sharing plan which they designate as a retirement plan. In addition, 3 percent list IRAs which they presumably contribute to on behalf of their participating employees.

The distribution of plan age indicates that pension plans are typically instituted about five years after the businesses were formed (or changed hands). For example, the median age of the pension plan is somewhat under 10 years (Q#6b) while the median age of the business is somewhat less than 15 years (Q#D5). The exception seems to be a flurry among a limited number of recently formed businesses to offer a plan. The sample sizes are small, however, and can do little more than offer a research question for testing.

a. Employer Participation

Ninety (90) percent of owners say that they personally participate in their firm's pension plan (Q#6c). These plans, typically tax-sheltered, encourage employers to establish plans for their employees in order to improve their own retirement income. However, the top-heavy rules to which they are subject can limit the amount that owners can save (tax advantaged) relative to others and therefore draw on for their own retirement.

Most owners report relatively modest proportions of their retirement income will come from pension benefits provided by their current firm. Just 2 percent say that all of their retirement income will come from their firm's pension program (Q#6c1);

another 14 percent say that most will. These business plans appear important to those who have them as just 21 percent indicate that they will receive only a little of their retirement income from them. Since just 30 percent have such plans (and 90 percent participate) however, 73 percent of all small-business owners will not have a pension from their current firm as a retirement income source. As a result, current firm pension plans will serve as a substantial source of retirement income for only about 6 percent of the entire population

b. The Pension Plan/Health Insurance Trade-Off

Those who would like more small businesses to sponsor pension plans for employees tend to forget that many would also like more small employers to provide employee health insurance. Unfortunately, there is often a trade-off between the two. If a small employer can afford one, he cannot always afford the other. The question is which benefit is typically provided first.

Earlier paragraphs reported that 30 percent of small employers offer a pension plan to at least some employees. Fifty-one (51) percent offer health insurance to at least some employees (Q#7). Of those who provide both benefits, 79 percent offered health insurance before they offered a pension plan (Q#8). Ten percent instituted both at the same time. Thus, only 10 percent, almost all among the very smallest, offered a pension plan prior to a health insurance plan.

Of those small employers who offer one benefit but not the other, 82 percent chose health insurance. The remainder selected the pension plan.

Those who provide neither a pension nor a health plan appear to have a similar view as providers. If these employers were to introduce a program, 77 percent say that they would offer a health insurance program first; 15 percent assert that they would offer a pension program first (Q#9). Five percent would introduce them simultaneously.

The benefit of choice for small employers is health insurance, at least compared to pension plans. Between 75 and 80 percent of small employers assign priority to health insurance. The choice may

seem strange since employers appear better able to control pension contributions, than health insurance costs. Defined contribution plans are much more familiar, common and accepted in pension plans than in health insurance, for example. Other cost considerations, such as the distinction between full- and part-time employees, also seem better able to be made in pension than in health insurance programs. Still, small employers' choices typically reflect perceived employee preferences and employers' needs to attract qualified people.

Retirement Income

Small employers have many potential sources from which they can draw retirement income. That is little different from people in other occupations except for the business resource which, for retirement purposes, is just another asset. The survey asked owners about the possibility of drawing on each of seven different sources: the sale price or operating profit from the current business, a pension sponsored by the current business, Social Security retirement benefits, a pension earned from an organization unrelated to the current business, savings or investments unrelated to a formal pension plan, a job or employment unrelated to the current business, and a bequest or inheritance.

While reports on the sources and, particularly the amounts to be received from a source, are not always consistent, clear patterns emerge. Small-business owners intend to rely on many sources for their retirement income. The median is four of the seven listed. Just 3 percent identify a single source for their retirement income, though 15 percent say a named source will supply all retirement income. At the other end of the scale, 4 percent report that they will have income from all seven sources of retirement income while another 12 percent will have it from six sources. That, too, seems impossible given the low incidence of owners receiving benefits from several on the list. Still, the upshot is that small-business owners typically report relying on three to five sources with some being substantially more important than others in terms of numbers expecting income from them and the amounts expected.

An earlier paragraph noted the modest importance of a pension from the current business as a source of retirement income. More important is the current business itself. While only 18 percent of owners (excluding heir-apparents) expect that income from the sale of their business or its operating profit, if not sold or closed, will provide substantial portions of their income, 27 percent say it will provide little or none (Q#3). This portion remains stable regardless of the enterprise's disposition. The exception is those who sell prior to retirement where the income from the sale appears to play a more important part of retirement income than simple closure. The reason closing a business might yield as many retirement resources as sale of the business is that closure could involve selling the firm's assets which are conceivably the firm's only value.

The most important source of retirement income will be savings and investments unrelated to a formal pension plan or sale of the business. Thirty-six (36) percent indicate that such financial assets will be a substantial source of income (Q#12). In contrast, 14 percent indicate that they will obtain little or nothing from them. Presumably, income from the business has allowed owners to put money away for later life, but the data do not confirm that situation. Prior employment, another business or other income sources might have generated the savings when the current business did not. A spouse's income might also have contributed prominently. Still, operating earnings from this business are a likely source of the investments that will be drawn down in later years.

Social Security will provide income for most small-business owners, but few expect it to make a substantial contribution to their retirement income. Just three percent believe that they will receive a substantial share of their retirement income from Social Security benefits (Q#10). Meanwhile, 11 percent believe that they will receive nothing. Since virtually all small employers will be eligible for some type of Social Security retirement benefit, this assessment is likely based on their judgements regarding the long-term financial viability of the Social Security program. However, the most probable scenario is the one most owners report:

they will receive “some” (42%) or “little” (44%) of their retirement income from the public pension program.

Thirty-eight (38) percent expect to receive pension benefits from an organization unrelated to their current business, such as another firm, government, the military, etc. (Q#11). No data is available on the specific source of those pensions. The proportion with one of these pensions, however, represents a third more than will receive a pension from their own firm’s plan. Still, just 7 percent see this outside pension as a substantial source of retirement income.

Many small employers plan to stay active after they are no longer associated with the business. Almost half simply do not intend to ever fully retire. Somewhat over half (51%) intend to earn income from employment or a job unrelated to their current business (Q#13). But consistent with the concept of phase-out and partial retirement, few expect that substantial portions of their income will come from employment.

Few small-business owners favor repeal or revision of the estate and gift tax because they will be the direct beneficiary. Sixty-two (62) percent expect that no part of their retirement income will result from an inheritance or bequest while just 2 percent believe that a substantial portion will (Q#14). Inheritances or bequests appear the least important source of retirement income for small-business owners.

Adequacy of Retirement Income

The most important question for small-business owners is whether their retirement income will yield them a comfortable living in later life. While “comfortable living” is a moving standard dependent on one’s view of comfortable, the overwhelming majority of current small-business owners believe that they will have adequate financial resources to live comfortably in retirement (or semi-retirement as the case may be). One-third (32%) report that they are very confident they will have the financial resources to do so while another 49 percent say they are somewhat confident (Q#16). In contrast, 12 percent are not too confident and 6 percent are not at all confident. About one in five, therefore, appear wary of their financial future.

While owners express considerable confidence that they will be able to live comfortably, current saving rates do not appear commensurate with their expected lifestyle. Just 20 percent report that they are ahead of schedule in saving for retirement; 8 points say they are far ahead of schedule (Q#17). Another 40 percent believe that they are on target. But 38 percent are in their own estimation behind schedule. The latter number is somewhat disconcerting given that the age distribution of small employers is relatively old, at least compared to the working population in general. However, that assessment must be tempered by the difficulty measuring the business’s value. Since reinvestment in the business can substitute for direct retirement saving, the firm’s value is critical to calculating progress towards retirement savings goals. This becomes particularly an issue for those with businesses that are more capital-intensive. As a result, the number who are actually behind could be somewhat lower (or higher).

Final Comments

Small-business owners are active people and, for the most part, intend to remain so throughout their later years of life. Nearly half do not plan to fully retire - ever. Another 15 to 20 percentage points do not plan to retire until after the traditional age. Over half expect some retirement income from a job or employment unrelated to their current business. They want to remain involved long after most others. From the nation’s perspective, the upside of this demographic reality is that it will have a substantial pool of older people with large supplies of human capital, particularly organizational skills and business experience, who want to remain active. The downside is that they don’t necessarily want to work in traditional ways, for example, the 40-hour week. They also are accustomed to being in charge, which may require unusual superior/subordinate matches. But, organizations that develop means to harness this resource are likely to find themselves competitively advantaged.

The most important source of income later in life will be financial resources unrelated to the current business accumulated through savings and investments. This appears true both in terms of numbers of

owners and amounts involved. Social Security will also be used by large numbers, but most anticipate it being a minor income source. The current business is the third large source of income in later life. The survey was insufficiently detailed to determine its precise role in financing retirement or semi-retirement. Moreover, many small-business owners, particularly younger owners and those with relatively young firms face a great deal of uncertainty about their firms' prospects over the longer term. It is difficult under those circumstances to confidently project future actions.

The small-business owner population does appear more confident about their financial condition in retirement (or quasi-retirement) than the general population. They are also more likely to be on schedule or ahead of schedule in saving for retirement. Part of the reason is age. They are older as a group than is the general population and that is associated with greater savings activity. Still, they appear to be better prepared financially than the general population. The survey provided no further data to explain the phenomenon, but one could speculate about forced savings through the purchase of business assets, greater familiarity with financial matters, etc.

While the purpose of this report was to address the personal retirement situation of small employers, it diverted to address an important related question - the trade-off between provision of employee health insurance and retirement benefits. Results indicated that small-business owners assign higher priority to employee health insurance than they do to employee pension plans. Those data are important because they argue that the current cost problems with health insurance do not just affect that benefit, but also limit small employer pension sponsorship and will continue to do so.

Retirement

(Please review notes at the table's end.)

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
1. How much thought have you given to retirement, financial planning for retirement, and your relationship to this business when you retire? Have you given it? (If owner or expectant owner in Q#D1 and Q#15.)				
1. Extensive thought	33.2%	38.3%	40.0%	34.4%
2. Quite a bit of thought	34.3	35.8	30.0	34.1
3. Some thought	26.5	17.3	25.7	25.4
4. No real thought	4.9	8.6	4.3	5.2
5. (DK/Refuse)	1.1	—	—	0.9
Total	100.0%	100.0%	100.0%	100.0%
N	336	186	176	698
2. Do you think you will: ? (If owner or expectant owner in Q#D1 and Q#15.)				
1. Sell or close the business before you retire	16.9%	23.1%	18.2%	17.6%
2. Sell or close the business at retirement	26.3	17.9	18.2	24.7
3. Pass on the business at retirement	27.3	34.6	36.4	28.8
4. Neither sell nor close the business at retirement	23.1	20.5	18.2	22.4
5. (DK/Refuse)	6.5	3.8	9.1	5.5
Total	100.0%	100.0%	100.0%	100.0%
N	325	182	168	675
2a. Is closing or selling more likely? (If sell or close in Q#2.)				
1. Closing	32.3%	6.3%	12.5%	28.3%
2. Selling	66.2	93.8	87.5	70.5
3. (50-50)	0.8	—	—	0.6
4. (DK/Refuse)	0.8	—	—	0.6
Total	100.0%	100.0%	100.0%	100.0%
N	143	71	62	276

Employee Size of Firm
1-9 emp 10-19 emp 20-249 emp All Firms

3. Do you expect that _____ of your retirement income will eventually come from the sale of your business or its operating profit?

1. All	4.9%	5.1%	6.1%	5.0%
2. Most	11.5	17.9	25.8	13.4
3. Some	52.4	55.1	48.5	52.4
4. A little	9.9	10.3	6.1	9.6
5. None	18.8	11.5	10.6	17.4
6. (DK/Refused)	2.5	—	3.0	2.2
Total	100.0%	100.0%	100.0%	100.0%
N	325	182	168	675

4. About how old do you intend to be before you FULLY retire, or don't you ever intend to FULLY retire?

1. > 60 years old	8.6%	12.5%	8.7%	9.0%
2. 60 - 64 years old	13.2	11.3	13.0	13.0
3. 65 - 69 years old	12.6	12.5	10.1	12.3
4. 70 years old or more	11.3	11.3	8.7	11.1
5. (Never will)	45.1	43.8	52.2	45.5
6. (Already have)	1.6	1.3	—	1.4
7. (DK/Refused)	7.7	7.5	7.2	7.6
Total	100.0%	100.0%	100.0%	100.0%
N	336	186	176	698

4a. Do you intend to phase out before you fully retire? (If age given in Q#4.)

1. Yes	59.0%	71.1%	67.9%	61.0%
2. No	40.7	26.3	32.1	38.5
3. (DK/Refuse)	0.3	2.6	—	0.6
Total	100.0%	100.0%	100.0%	100.0%
N	155	89	70	314

4b. About how old do you intend to be when you start phasing out? (If "Yes" in Q#4a.)

1. > 55 years old	12.7%	19.2%	—%	14.0%
2. 55 - 59 years old	30.4	34.6	—	31.3
3. 60 - 64 years old	27.4	26.9	—	27.1
4. 65 - 69 years old	18.5	7.7	—	16.4
5. 70 years old or more	10.1	11.5	—	9.8
6. (DK/Refused)	1.2	—	—	1.4
Total	100.0%	100.0%	100.0%	100.0%
N	91	60	48	199

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms

5. Has performance of the stock market over the last five years or so caused you to change the date of your retirement? (If not yet retired in Q#4.)

1. Yes	20.6%	20.0%	14.5%	20.0%
2. No	79.1	80.0	85.5	79.8
3. (DK/Refuse)	0.3	—	—	0.2
Total	100.0%	100.0%	100.0%	100.0%
N	331	184	176	691

6. Does your business sponsor a pension program for at least some of your employees?

1. Yes	25.6%	43.2%	58.8%	30.3%
2. No	73.9	56.8	41.2	69.3
3. (DK/Refuse)	0.5	—	—	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	336	186	176	698

6a. What type of a pension plan is it? Is it a: ? (If “Yes” in Q#6.)

1. 401(k)	26.4%	57.6%	60.0%	36.4%
2. SEP, also known as a Simplified Employee Plan	23.9	9.1	5.0	18.6
3. SIMPLE plan	20.9	21.2	20.0	20.8
4. Profit-sharing	9.2	6.1	10.0	8.9
5. Defined benefit plan	6.1	3.0	5.0	5.5
6. (IRA)	3.7	3.0	—	3.0
7. (Other)	7.4	—	—	5.1
8. (DK/Refuse)	2.4	—	—	1.6
Total	100.0%	100.0%	100.0%	100.0%
N	81	79	102	262

6b. How long has this plan been in existence?

1. > 5 years	25.0%	26.5%	22.5%	24.8%
2. 5 - 9 years	32.3	32.4	20.0	30.3
3. 10 - 19 years	25.6	29.4	37.5	28.2
4. 20 or more years	14.6	11.8	15.0	14.3
5. (DK/Refuse)	2.4	—	5.0	2.5
Total	100.0%	100.0%	100.0%	100.0%
N	81	79	102	262

Employee Size of Firm
 1-9 emp 10-19 emp 20-249 emp All Firms

6c. Do you personally participate in the plan?

1. Yes	90.2%	88.6%	90.0%	89.9%
2. No	9.8	11.4	10.0	10.1
3. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	81	79	102	262

6c1. Do you expect that the retirement benefits you eventually receive from the plan will constitute _____ of your retirement income? (If “Yes” in Q#6c.)

1. All	3.4%	—%	—%	2.3%
2. Most	17.0	6.5	10.8	14.4
3. Some	60.5	61.3	62.2	60.9
4. A little	17.7	32.3	27.0	21.4
5. (DK/Refused)	1.4	—	—	0.9
Total	100.0%	100.0%	100.0%	100.0%
N	73	69	92	234

7. Does your business sponsor a health insurance program for at least some of your employees?

1. Yes	44.5%	70.0%	83.8%	50.5%
2. No	55.2	30.0	16.2	49.2
3. (DK/Refuse)	0.3	—	—	0.3
Total	100.0%	100.0%	100.0%	100.0%
N	336	186	176	698

8. Which benefit did you institute first, health insurance or a pension plan? (If “Yes” in Q#6 and Q#7.)

1. Health insurance	76.6%	88.9%	81.6%	79.3%
2. Pension plan	14.1	—	5.3	10.4
3. (Same time)	7.8	11.1	10.5	8.8
4. (DK/Refuse)	1.6	—	2.6	1.6
Total	100.0%	100.0%	100.0%	100.0%
N	63	65	97	225

Employee Size of Firm
 1-9 emp 10-19 emp 20-249 emp All Firms

9. If you were to sponsor a _____ or a _____, which would you introduce first? (If “No” in Q#6 and Q#7.)

1. Health insurance	76.6%	—%	—%	76.7%
2. Pension plan	14.9	—	—	14.8
3. (Same time)	5.1	—	—	4.9
4. (DK/Refuse)	3.5	—	—	3.5
Total	100.0%	100.0%	100.0%	100.0%
N	175	46	26	247

Let’s talk about some other potential sources of retirement income.

10. Do you expect Social Security retirement benefits will constitute _____ of your retirement income?

1. All	0.3%	1.3%	—%	0.4%
2. Most	3.3	1.3	1.4	2.9
3. Some	42.7	36.3	27.5	41.7
4. A little	42.2	48.8	58.0	44.3
5. None	10.1	12.5	13.0	10.6
6. (DK/Refused)	1.4	—	—	1.2
Total	100.0%	100.0%	100.0%	100.0%
N	336	186	176	698

11. Do you expect that _____ of your retirement income will come from a pension earned in an organization unrelated to this business, such as another firm, government, or military?

1. All	2.5%	1.3%	—%	2.2%
2. Most	5.3	5.0	1.5	5.0
3. Some	21.4	16.3	16.2	20.4
4. A little	9.4	12.5	11.8	9.9
5. None	60.8	65.0	70.6	62.1
6. (DK/Refused)	0.5	—	—	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	336	186	176	698

Employee Size of Firm
1-9 emp 10-19 emp 20-249 emp All Firms

12. Do you expect that _____ of your retirement income will come from savings and investments that are unrelated to a formal pension plan or the sale of this business?

1. All	8.6%	8.8%	8.8%	8.7%
2. Most	27.6	30.0	26.5	27.8
3. Some	47.3	51.3	54.4	48.3
4. A little	6.6	5.0	2.9	6.1
5. None	8.8	5.0	5.9	8.2
6. (DK/Refused)	1.1	—	1.5	1.1
Total	100.0%	100.0%	100.0%	100.0%
N	336	186	176	698

13. Do you expect that _____ of your retirement income after retirement age will come from employment or a job unrelated to this business?

1. All	3.0%	—%	—%	2.4%
2. Most	2.4	2.6	1.5	2.3
3. Some	33.2	29.5	30.9	32.6
4. A little	12.1	17.9	20.6	13.4
5. None	46.9	50.0	45.6	47.1
6. (DK/Refused)	2.5	—	1.5	2.2
Total	100.0%	100.0%	100.0%	100.0%
N	336	186	176	698

14. Do you expect that _____ of your retirement income will come from a bequest or inheritance?

1. All	0.3%	—%	—%	0.3%
2. Most	2.0	2.5	—	1.9
3. Some	21.5	21.5	23.2	21.7
4. A little	11.9	15.2	11.6	12.2
5. None	62.3	60.8	65.2	62.4
6. (DK/Refused)	1.9	—	—	1.6
Total	100.0%	100.0%	100.0%	100.0%
N	336	186	176	698

15. Do you expect that you will own at least a substantial share of this business some time in the future? (If “Manager/not owner” in Q#D1.)

1. Yes	—%	—%	—%	37.9%
2. No	—	—	—	62.1
3. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	27	18	33	78

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms

16. How confident are you that you will have enough money to live comfortably in your retirement years? Are you: ?

1. Very confident	31.5%	35.8%	44.1%	33.0%
2. Somewhat confident	47.9	53.1	51.5	48.7
3. Not too confident	12.4	7.4	2.9	11.1
4. Not at all confident	6.3	3.7	1.5	5.6
5. (DK/Refuse)	1.8	—	—	1.6
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	336	186	176	698

17. How far ahead or behind schedule are you in saving for retirement? Are you: ?

1. Far ahead	8.5%	4.9%	8.8%	8.2%
2. Ahead	11.6	16.0	13.2	12.2
3. On schedule	39.6	44.4	50.0	41.0
4. Behind	29.1	25.9	23.5	28.3
5. Far behind	10.1	7.4	4.4	9.3
6. (DK/Refuse)	1.1	1.2	—	1.0
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	336	186	176	698

Demographics

D1. Which best describes your position in the business?

1. Owner/manager	87.9%	84.5%	75.9%	86.4%
2. Owner but NOT manager	5.1	8.3	7.6	5.7
3. Manager but NOT owner	6.9	7.1	16.5	7.9
4. (DK/Refuse)	—	—	—	—
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

D2. Is your primary business activity: (NAICs code)

1. Agriculture, forestry, fishing	4.8%	2.4%	—%	4.1%
2. Construction	10.7	8.2	8.9	10.3
3. Manufacturing, mining	6.5	11.8	13.9	7.7
4. Wholesale trade	4.8	5.9	7.6	5.2
5. Retail trade	16.3	17.6	17.7	16.6
6. Transportation and warehousing	2.1	3.5	2.5	2.3
7. Information	1.1	3.5	2.5	1.5
8. Finance and insurance	3.9	2.4	5.1	3.9
9. Real estate and rental leasing	4.1	3.5	2.5	3.9
10. Professional/scientific/ technical services	19.8	11.8	5.1	17.6
11. Adm. support/waste management services	2.1	3.5	5.1	2.5
12. Educational services	0.6	—	1.3	0.6
13. Health care and social assistance	4.2	3.5	2.5	4.0
14. Arts, entertainment, or recreation	1.5	2.4	2.5	1.7
15. Accommodations or food service	4.8	9.4	16.5	6.4
16. Other service, incl. repair, personal care	9.8	9.4	3.8	9.2
17. (Other)	2.0	1.2	1.3	1.8
18. (DK/Refuse)	0.5	—	—	0.3
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

D3. Over the last two years, have your real volume sales:

1. Increased by 30 percent or more	15.5%	17.9%	17.7%	16.0%
2. Increased by 20 to 29 percent	13.1	13.1	10.1	12.8
3. Increased by 10 to 19 percent	27.3	34.5	26.6	28.0
4. Changed less than 10 percent one way or the other	24.4	21.4	27.8	24.5
5. Decreased by 10 percent or more	15.8	10.7	12.7	15.0
6. (DK/Refuse)	3.8	2.4	5.0	3.7
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

D4. Is this business operated primarily from the home, including any associated structures such as a garage or a barn?

1. Yes	34.8%	8.2%	5.1%	29.2%
2. No	64.3	90.6	94.9	69.9
3. (DK/Refuse)	0.9	1.2	—	0.8
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

D5. How long have you owned or operated this business?

1. < 6 years	25.6%	16.3%	16.7%	23.8%
2. 6-10 years	18.8	16.3	15.4	18.2
3. 11-20 years	21.5	34.9	32.1	23.9
4. 21-30 years	20.9	19.8	20.5	20.7
5. 31 years+	11.5	11.6	15.4	12.1
6. (DK/Refuse)	1.5	1.2	—	1.3
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms

D6. What is your highest level of formal education?

1. Did not complete high school	2.4%	1.2%	2.5%	2.3%
2. High school diploma/GED	22.2	23.8	16.3	21.8
3. Some college or an associates degree	24.5	22.6	22.5	24.1
4. Vocational or technical school degree	4.4	1.2	2.5	3.9
5. College diploma	31.4	33.3	37.5	32.2
6. Advanced or professional degree	14.0	16.7	18.8	14.8
7. (DK/Refuse)	1.1	1.2	—	1.0
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

D8. Please tell me your age.

1. <25	0.8%	1.2%	—%	0.7%
2. 25-34	9.1	8.2	7.6	8.8
3. 35-44	17.8	16.5	22.8	18.2
4. 45-54	31.9	34.1	27.8	31.7
5. 55-64	26.9	27.1	31.6	27.4
6. 65+	12.2	10.6	10.1	11.9
7. (DK/Refuse)	1.4	2.4	—	1.3
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

D9. What is the zip code of your business?

1. East (zips 010-219)	14.4%	16.7%	16.7%	14.8%
2. South (zips 220-427)	20.7	25.0	20.5	21.1
3. Mid-West (zips 430-567, 600-658)	24.6	26.2	29.5	25.2
4. Central (zips 570-599, 660-898)	25.8	20.2	20.5	24.8
5. West (zips 900-999)	13.0	10.7	12.8	12.7
6. (DK/Refuse)	1.5	1.2	—	1.3
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
D10. Urbanization (Derive from zip code)				
1. Highly Urban	12.9%	11.6%	8.9%	12.3%
2. Urban	18.9	18.6	24.1	19.4
3. Fringe Urban	19.5	14.0	20.3	19.0
4. Small Cities/Towns	19.4	22.1	19.0	19.6
5. Rural	23.9	27.9	22.8	24.2
6. (DK/Refuse)	5.4	5.8	5.1	5.4
Total	100.0%	100.0%	100.0%	100.0%
N				
D11. Sex				
Male	86.1%	82.4%	89.7%	86.1%
Female	13.9	17.6	10.3	13.9
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

Table Notes

1. All percentages appearing are based on **weighted** data.
2. All "Ns" appearing are based on **unweighted** data.
3. Data are not presented where there are fewer than 50 unweighted cases.
4. ()s around an answer indicate a volunteered response.

WARNING – When reviewing the table, care should be taken to distinguish between the percentage of the population and the percentage of those asked a particular question. Not every respondent was asked every question. All percentages appearing on the table use the number asked the question as the denominator.

Data Collection Methods

The data for this survey report were collected for the NFIB Research Foundation by the executive interviewing group of The Gallup Organization. The interviews for this edition of the *Poll* were conducted between July 11 - August 2, 2005 from a sample of small employers. “Small employer” was defined for purposes of this survey as a business owner employing no fewer than one individual in addition to the owner(s) and no more than 249.

The sampling frame used for the survey was drawn at the Foundation’s direction from the files of the Dun & Bradstreet Corporation, an imperfect file but the best currently available for public use. A random stratified sample design was employed to compensate

for the highly skewed distribution of small-business owners by employee size of firm (Table A1). Almost 60 percent of employers in the United States employ just one to four people meaning that a random sample would yield comparatively few larger small employers to interview. Since size within the small-business population is often an important differentiating variable, it is important that an adequate number of interviews be conducted among those employing more than 10 people. The interview quotas established to achieve these added interviews from larger, small-business owners were arbitrary but adequate to allow independent examination of the 10-19 and 20-249 employee size classes as well as the 1-9 employee size group.

Table A1

Sample Composition Under Varying Scenarios

Employee Size of Firm	Expected from Random Sample*		Obtained from Stratified Random Sample			
	Interviews Expected	Percent Distribution	Interview Quotas	Percent Distribution	Completed Interviews	Percent Distribution
1-9	593	79	350	47	352	47
10-19	82	11	200	27	200	27
20-249	75	10	200	27	201	27
All Firms	750	100	750	101	753	101

* Sample universe developed from special runs supplied the NFIB Research Foundation by the Bureau of the Census (1997 data).

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The **NFIB Research Foundation** is a small-business-oriented research and information organization affiliated with the National Federation of Independent Business, the nation's largest small and independent business advocacy organization. Located in Washington, DC, the Foundation's primary purpose is to explore the policy related problems small-business owners encounter. Its periodic reports include *Small Business Economic Trends*, *Small Business Problems and Priorities*, and now the *National Small Business Poll*. The Foundation also publishes ad hoc reports on issues of concern to small-business owners. Included are analyses of selected proposed regulations using its Regulatory Impact Model (RIM). The Foundation's functions were recently transferred from the NFIB Education Foundation.



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