

EARN / SIDE HUSTLES

# A FREELANCER'S GUIDE TO SAVING FOR RETIREMENT

Beth Braverman | February 7, 2019



## Saving for retirement while freelancing doesn't have to be a full-time job.

Whether you're freelancing full-time or you've got a side hustle on top of your 9-to-5, you probably already know that there are many perks to workers in the modern freelance economy. You get to make your own hours, work on projects you like, and—often—earn decent money. (And yes, you may even occasionally get to spend a day in your pajamas.)

But as more workers than ever opt out of staff jobs in favor of a freelance career, there are some drawbacks as well. You're in charge of your own benefits as a freelancer, and that includes saving for retirement. When you're self-employed, you don't have access to a ready-made retirement account-employee match that often comes with it.

"When you have a regular job, it's easy to save for retirement, you just check a box," says Byron Ellis, a Certified Financial Planner and managing director at United Capital in The Woodlands, Texas. "When you're on your own, there's no HR, and you have to set it up and do it yourself."

Perhaps that explains why about a third of full-time freelancers aren't saving for retirement at all, and 70% say that they're unprepared to maintain their current lifestyle in retirement, according to a study by [Betterment](#). You should do better.

About a third time freelancers aren't saving for retirement at all according to Betterment.

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Here's what you need to know:

## YOU HAVE OPTIONS FOR SAVING

While you don't have access to a 401(k) as a freelancer, you are still able to put away money in tax-protected accounts with similar benefits. Your options:

- **Traditional IRA or Roth IRA.** These are best for side-hustlers or those who aren't earning much from their freelance work yet. This year, [you can contribute up to \\$6,000 \(\\$7,000 for those 50 and older\)](#).
- **SEP IRA or Solo 401(k).** You can put up to \$56,000 or 25% of your net self-employment income (whichever is less) into these accounts. The Solo 401(k) has a few added benefits, but it requires some extra paperwork and could cost more. The SEP IRA rules are a bit trickier if you have employees working for you, so [consult a tax pro](#) or a planner if that's the case.

## CONTRIBUTE OFTEN

The best way to save for any goal is automatically, and this is no exception. You could [set up automatic contributions to your retirement account](#) to mimic the direct deposits you'd get from an employer 401(k), but committing to bi-weekly contributions can be tough for freelancers who often have a variable income. Instead, set a calendar reminder for once a month or once a quarter to take a look at your income and see how much you can contribute.

"You don't have the nudge from your employer, so you have to create the habit yourself," says Ryan Huard, a Certified Financial Planner and president of Huard Financial Group. "Habit No. 1 is just contributing regularly to some kind of freelance retirement account."

And remember that you have until April 15 of next year to make contributions to an IRA, so you can always contribute more after you've figured out your annual income.

## DON'T ABANDON YOUR OLD 401(K)S

Keep track of any 401(k)s you may have accumulated at previous jobs. As long as the balance is more than \$5,000, you can leave them in their current accounts if you're happy with the fees and investment options. But if you have multiple 401(k)s, or you're not thrilled with the investments, you can roll them into a single IRA without any tax consequences. (They'll be easier to manage combined.)

## BOTTOM LINE

Just because you're side-hustlin' doesn't mean you need to put your re dreams on the sidelines. [Figure out where you'll need to be savingswise](#) [retirement age](#) and maintain your contributions to get there.

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