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BUSINESS

Boomer entrepreneurs attempt to stage Great Rebound

After seeing nest eggs or other opportunities diminish, some startups are being spun up by those older than usual.

By LILY LEUNG / ORANGE COUNTY REGISTER
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In the depths of the Great Recession, Kathleen Schneider saw a nest egg she had built over decades shrink by more than 20 percent. The Fullerton resident's investment portfolio began to rebound last year, but the sharp decline taught her the need to diversify.

So Schneider, 57, recently took out a portion of her retirement savings and bought an Instant Imprints franchise, which makes promotional items for businesses. Her shop opened in late November. The chain's franchisees typically invest a total of $160,982 to $297,898 and pay an ongoing royalty fee of 6 percent, according to franchising data from Entrepreneur Media.

Kathleen Schneider, owner of Instant Imprints in Fullerton, visits with a customer on a recent weekday. After being downsized from an insurance company job, the Baby Boomer now owns her own business.
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“So, now I've got control of whether I succeed or not,” said Schneider, who also owns a separate IT business-consulting firm. Her financial future is “more tied to my being successful in the business” than just the financial markets.

It is increasingly more common to see baby boomers jump into self-employment.

More than 23 percent of entrepreneurs who started companies in 2012, the latest year for which data are available, are ages 55 to 64. That's a jump from 14 percent in 1996, according to an analysis by the Ewing Marion Kauffman Foundation, a Kansas City-based nonprofit that tracks startup activity.

Kathleen Schneider and son Steve Schneider watch a banner roll off a large format printer at Instant Imprints in Fullerton.
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Motivations to kick off a business instead of finding a retirement getaway include replenishing retirement accounts, starting second careers or working for oneself. But those with dreams of starting new ventures in their 50s and 60s face challenges that go beyond the usual ones facing entrepreneurs.

50/50 CHANCE OF FAILURE

There's about a 50/50 chance that a U.S. business will make it past the five-year mark, based on 2013 Census Bureau data. It's unclear whether the odds of success are better or worse for boomer-led startups. What is clear is that recovery from a failure could be more difficult.

The business "entry and exit are much closer together," said Michele Markey, vice president of the Kauffman Foundation's FastTrac program, which trains entrepreneurs around the country. "If you take a boomer that's 55, they don't have 20 to 30 years to recover (from) an up-and-down business or business mistakes."

Acknowledging that, the Kauffman Foundation and AARP last year launched a program for baby boomers who want to explore entrepreneurship.

Kathleen Schneider and son Steve Schneider watch a four-head embroidery machine stitch their company logo at Instant Imprints in Fullerton.
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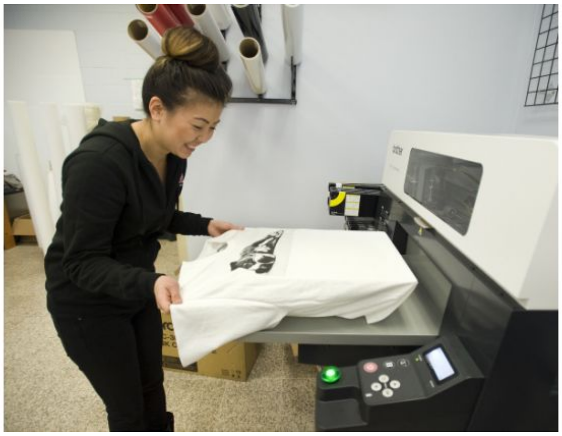
HOW-TO COURSE

Irvine is among three cities piloting a 10-week course, Kauffman FastTrac New Venture for the Boomer Entrepreneur. Miami and New York City are the other locations. Organizers chose Irvine partly because of its proximity to other big population centers in Southern California, including San Diego and the Inland Empire, said Larry Kutcher, an Orange County business owner leading the local course.



Anna Kim, office manager and graphic designer at Instant Imprints in Fullerton, creates a T-shirt with a photo image of a dog.
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Set to start Feb. 24, the local program will cover topics such as coming up with business plans, refining elevator pitches and learning the value of networking. One likely discussion topic is franchising, which is a popular model for older entrepreneurs because it offers a company's established brand and support system.

YOUR OWN SHOW

That's what appealed to Schneider, who opened the promotional-items store in Fullerton.

“You're having a business with the support of suppliers and contacts … but you're still running your own business,” she said.

Lori Kewalram and her husband, Biju, both in their 50s and from the corporate world, also went the franchise route. They recently bought the Huntington Beach location of BrightStar Care, a national business that mainly provides medical and non-medical help to the elderly.

Kewalram, 53, used part of the couple's retirement savings to finance the business, which she said reflects her confidence in the franchise's reputation.

BrightStar Care franchisees typically invest $90,378 to $165,676 for a location and must pay 5 percent to 6 percent in ongoing royalties, franchising data from Entrepreneur Media show.

NOT FOR EVERYONE

A former IT professional, Kewalram says she launched the business to help the elderly while having the “ability to do my own thing and be in control.” And, like Schneider, she saw her retirement savings take a hit during the last financial downturn.

But franchising isn't for everyone. Boomers have to think about how much money they can afford to risk and how many years they plan to work.

Markey, vice president of Kauffman FastTrac, presents this hypothetical: Someone who is 55 and wants to retire in five years is thinking about investing in a McDonald's franchise that will cost $1 million to $2 million.

"Can you invest in that, get it up and running, be profitable and receive an investment back, plus whatever additional financial benefit that might be?" Markey said. "Time frame is a big consideration for their goals."

ON THE HOOK

Would-be franchisees generally have to sign multiyear agreements. If a franchiser goes under during that time, franchisees could lose all or most of their investments, said Don Sniegowski, a former Orange County resident who runs franchisee-advice website Blue MauMau.

Anna Kim, office manager and graphic designer at Instant Imprints in Fullerton, prepares a large-format printer after creating a T-shirt with a photo image of a dog.
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Franchisees also could be on the hook for any future royalties.

"You can lose quite a bit," Sniegowski said. "If you're 56, go into (a franchise) business and lose all your life savings … then you're in big trouble."

Other considerations: Are you OK with the franchiser's rules? Do you meet their financial guidelines?

Dana Del Francia chose to go the independent route.

NO TIME FOR REST

Del Francia sold off his struggling 24-year-old trucking company in Anaheim during the financial crash and took four years off. Last year, out of financial need, he started what eventually became a fruitless job search.

"I didn't sell for enough money to go relax in the sun for the rest of my life," he said.

Willing to take on more risk, the 59-year-old entrepreneur has used retirement savings to fully fund a business-consulting company. His concept, the BoardRoom, is to have a group of business consultants who advise emerging companies as an "outside board of directors."

While Del Francia, Kewalram and Schneider had different motivations for starting their businesses, they all seem to regard retirement as something that is far off.

"It's never something I thought a lot about," Kewalram said. "I'm not really someone that has the desire to kick back and do nothing."

Schneider echoed that.

“I guess I don't have a date,” she said. “My mom lived to about 100 years.”

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