

Consulting as a Retirement Option: The Myths and Realities

Roberta Neault, PhD, RRP, CCC
Life Strategies Ltd.
Coquitlam, BC, Canada

Gerry Neault
Life Strategies Ltd.
Coquitlam, BC, Canada

© 2005 (Roberta Neault and Gerry Neault)

The authors own the copyright of this article. You may photocopy or reprint this article, or a section of it, provided that you acknowledge the authors.

The National Consultation on Career Development (NATCON) has received authorization from the authors to publish their articles. Statements contained in the articles are the personal views of the authors. They bear full responsibility for the accuracy of references, quotations, tables, figures, and permission from copyright holders. These articles are published in the language they were submitted.

Consulting as a Retirement Option: The Myths and Realities

Within Canada and much of the developed world, as the “baby boomers” age, more and more people are retiring. Yet, not all retirees are choosing a life of total leisure. For both financial and personal reasons, many individuals prefer to include some work activities in their retirement lifestyles – especially if they can build flexibility into their work schedules and retain some control over their time and tasks. A recent Statistics Canada study found that almost 60 percent of recent retirees would have preferred to continue working (Muhtadie, 2004). For many retirees, especially those with management, technical, or professional expertise, consulting has become an appealing retirement possibility.

Semi-Leisured: A New Retirement Identity

The word “retired” does not fit well for many individuals that have left their permanent jobs. Whether as a result of corporate downsizing or personal down-shifting in an attempt to achieve some work-life balance, many workers are “retiring” in what might previously have been considered mid-career. For example, some individuals find themselves eligible for “early retirement” incentive packages while still in their late forties or early fifties. Others face mandatory retirement at the age of 65 but are financially unable to support themselves without returning to work. Still others find the demands of full-time work unsustainable but are eager to work part-time or part-year. We have coined the term “semi-leisured” to describe this emerging retirement identity. Most of our clients and colleagues identify increased leisure time as the best part of retirement – those that continue to work part-time find that “semi-leisured” resonates better with their new identity than the more typical term, “semi-retired.”

Consulting as a Retirement Option

One post-employment option considered by many of our semi-leisured clients is consulting. This option is especially appealing to those who have left teaching (especially in a college or university setting), senior management, executive, technical, or professional positions – essentially, any knowledge-based occupation. However, as we have explored consulting as a new career possibility with our clients, we have discovered that many have a romanticized vision of what a consulting career will look like. In the following sections, we will address some of the questions that we raise with our pre-retirement clients to facilitate them making informed choices about this important next stage of their careers.

Why Consult?

We begin by exploring motivation for considering consulting as a retirement option – and debunking some of the more common myths. Some individuals worry that they might have too much time on their hands if they fully retire; our experience, however, has shown the opposite (i.e., most of our clients wonder how they ever found time to work!). Some individuals perceive unlimited consulting opportunities and the freedom to work whenever they want while charging exorbitant fees. Unfortunately, this has not proven to be the reality for most of our clients.

Others, however, view consulting as a means to achieve intellectual stimulation. Csikszentmihalyi (1990, 1997) writes about “flow” or “optimal experience.” His research revealed that achieving flow requires carefully matching skills with challenges. Many newly-retired managers, technical specialists, and professionals have significant skills to contribute. Without sufficient challenges, they may experience retirement as boring. However, too much challenge could result in anxiety or overwhelming stress. Many individuals choose to retire as a means to restore balance to their lives. Consulting, especially on very challenging projects with tight timelines, might actually have the opposite effect.

Some people use consulting work as a vehicle to fulfill long-time dreams of self-employment, initiating strategic change, or mentoring and coaching those just beginning their careers. Others are primarily interested in the income generated by consulting – especially if they have left work with limited or no pension. Others hope that consulting income will help to pay for one-time or unanticipated expenses (e.g., children’s weddings or education, eldercare, supporting “boomerang kids”, or paying child support after a divorce). Most of our clients, however, use their consulting income to pay for small luxuries (i.e., to buy a slightly better standard of living than their pension income would support).

What is Consulting?

Consulting is an over-used umbrella term that is difficult to clearly define. Traditional consultants provide such business services as strategic planning, financial management, marketing, and supporting organizations with their human resource challenges. However, today the field also includes such personal services as event organizing (e.g., wedding planners), interior design, fitness and health consulting, and travel planning. There may also be some overlap between consulting and personal or career coaching. Needham (2001) reports that “the work of consultants in all industries, however, shares the common tasks of analyzing, interpreting, imagining, developing, and above all, communicating”. As previously mentioned, many knowledge economy careers transition easily to post-retirement consulting opportunities.

What Contributes to Consulting Success?

There are several resources that list attributes associated with consulting success (e.g., Needham, 2001; Ameln, 2002). Life Strategies Ltd. (2004) has consolidated these success factors under four headings: Personal Characteristics, Communication Skills, Business Skills, and Technical Expertise, resulting in a checklist, *So you want to be a consultant?* (See Appendix A). Needham (2001) reported that consultants are primarily problem-identifiers and Ameln (2002) expanded on this notion, saying, “Successful consulting boils down to identifying needs and facilitating or providing answers to problems. In other words, a successful consultant is an agent of change.” Successful consultants typically have expertise in, and a passion for, a specific subject area; a flexible, adaptable, and self-motivated approach to work; a commitment to lifelong learning; and a well-established network. It’s not surprising, therefore, that some individuals transitioning between full-time employment and retirement would consider consulting as a retirement option. Consulting can provide opportunities to contribute specialized knowledge and stay connected with professional networks, while working within a more flexible framework than as a full-time employee.

How Does a Consultant Get Started?

Some consultants may choose to work as part-time or project-based employees with established consulting firms. Others, however, become self-employed. As with any self-employment venture, there are decisions to make and logistics to establish. These include choosing a business structure, arranging appropriate insurance and licenses, and determining whether or not the consulting business will be home-based. The following sections will briefly examine each of these issues.

Business structures.

There are basically three business structures in Canada: self-employed (e.g., sole proprietors), partnerships (which can be either incorporated or unincorporated), and corporations (i.e., a separate legal entity). Corporations (i.e., incorporated businesses) can be recognized by their names, which will include “Ltd.,” “Inc.,” or “Corp.” Selecting a business structure is an important decision that can impact income taxes and personal liability. We encourage our clients to consult with business advisors, lawyers, or accountants so that their decisions will be well-informed.

Insurance and licenses.

This is another area where a new consultant is well-advised to seek out professional advice. We encourage our clients to assess whether or not changes might be required to their existing home and vehicle insurance and to consider investing in professional liability insurance. We also remind them to check with their municipality to determine local regulations and requirements for business licenses.

Home-based or not?

Many consultants, particularly those embarking on this career as a retirement option, choose to work from home. We encourage our clients to consider this option carefully, assessing the needs of the business and other family members, as well as their own personal preferences. Some people thrive working from home; our own business, for example, has been successfully home-based since it was established more than a decade ago. Other individuals and families, however, struggle with the blurred boundaries of working from home. They find it challenging to get away from work and to minimize non-work distractions, and they grieve the loss of personal privacy when home becomes the workplace. Others find that working from home contributes to social isolation – this is particularly troubling for individuals who chose to return to work post-retirement because they were looking for more social contact.

If our clients do choose to work from home, we encourage them to establish a dedicated work space that provides them with appropriate furniture and office equipment, confidential filing systems (both for paper and computer-based documents), and a separate e-mail address and telephone line (or a professional image on their personal e-mail and voice mail). As previously mentioned, we remind them to assess their requirements for additional insurance; for example, after a robbery, a personal computer used for business purposes may not be covered by insurance unless home-based business insurance was in place.

How Does a Consultant Build a Thriving Business?

In a previous paper, Neault (2003) presented results from a survey of self-employed career practitioners and counsellors. Many of their success strategies also apply to self-employed consultants: assessing personal suitability, developing a clear vision and business goals, working with passion, building strong professional relationships, staying visible and connected, staying knowledgeable in the field, marketing, keeping good financial records, setting appropriate

fees, and sustaining work-life balance. In this section, we will address the latter four as they particularly apply to consultants.

Marketing and Networking

Consultants, because of their specialized knowledge, are in a unique position to market their services inexpensively through public speaking engagements, teaching or facilitating seminars and workshops, contributing articles to publications, and serving on executive boards – essentially, providing free services in exchange for exposure to potential clients. We also encourage our clients to establish a professional-looking website, create a consistent “brand” or professional image, attend professional events, and form strategic partnerships with other professionals who offer complementary services or who can refer appropriate clients.

Crunching the Numbers

Many self-employed consultants are neither interested in nor talented at number-crunching and it is tempting for them to delegate the bookkeeping and accounting functions of their business to others. Although we definitely encourage our clients to seek the advice and support of other professionals, we also believe it is important for them to have a good sense of cash flow within their businesses, the market value of their services, and the legal requirements for collecting and remitting taxes. The Canada Revenue Agency website (2005) provides extensive information about income tax rates, Goods and Services tax (GST), and allowable business expenses. Cash flow, of course, is quite different for self-employed consultants than for employees – it can be quite shocking to learn that invoices, clearly marked as “due immediately” may not be paid for several weeks or months. It is essential that the self-employed allow a sufficient financial cushion to cover business and personal expenses while waiting for payment for work that they have already completed. This is especially true if consulting was chosen as a retirement option out of necessity to supplement retirement income.

Fees

Setting fees can be particularly problematic for recently-retired, semi-leisured consultants, especially if they are *not* depending on their consulting income for financial survival. It may be tempting to take on interesting work at inappropriately low fees – and, sometimes, such choices may make good business sense. However, we do encourage our

clients to be realistic about the market value of their services, their personal financial needs, and their costs of doing business (a good rule of thumb is that self-employed consultants need to bill at twice the rate of an employee to break even and three times an employee's rate if the business has significant overhead costs such as premises or support staff). We also encourage clients to make strategic decisions about whether or not to charge for initial consultations, telephone or e-mail follow-ups, and for cancelled events or missed appointments. Clearly stating fees and financial policies up front can prevent many potentially deal-breaking misunderstandings later on.

Staying Productive (peak times, time study results, delegating, organizing)

It is important to recall the reasons for selecting consulting as a retirement option. Generally, our semi-leisured clients do not intend to become busier than they were as full-time employees. Yet, this can easily happen! We encourage our clients to be very clear about the time that they are prepared to dedicate to their consulting careers – and to zealously guard the rest of their time to achieve their goals of a life with more leisure. For particularly demanding projects or seasonal peaks in business, self-employed consultants may choose to hire others, form strategic partnerships to share the workload, or, in some cases, turn away potential work that might lead to overload.

Self-employed consultants will also benefit from matching work to the rhythms of their own peak times of the day or year, developing effective administrative systems, and building a team of people with complementary strengths and skills. A time study on consultants revealed that they tend to work long hours, only a third of which are directly providing professional services (Pace Productivity, n.d.). Two-thirds of their time was devoted to planning, selling, administration, travel, and other responsibilities – many of which may not have been tasks envisioned as part of an ideal “retirement!”

Summary

Successful consultants have a good mix of personal characteristics and business, communication, and technical skills. Consulting can be a wonderful transitional career for the newly retired or a longer-term option for those who prefer to continue working well beyond their official retirement date. However, it is the kind of work that can take up much more time than initially anticipated, which may interfere with an individual's vision of a life with more leisure. Clients considering consulting as a post-retirement option could benefit from guided self-assessment, a comprehensive exploration of the field including interviews with those that enjoy their consulting careers and those that don't, and

strategic business planning and start-up advice. With the right supports in place, consulting is a post-retirement option worth considering for many knowledge economy workers.

References

- Ameln, R. (2002). *Important ingredients to successful consulting: Do you have what it takes?* Retrieved on March 25, 2005 from <http://sbm.sbmin.com/asp/DisplayArticles.asp?ArticleId=2138&CatId=61>
- Canada Revenue Agency (2005). *Welcome to the Canada Revenue Agency (CRA)*. Retrieved on March 25, 2005 from www.cra-arc.gc.ca/menu-e.html .
- Csikszentmihalyi, M. (1990). *Flow: The psychology of optimal experience*. New York: HarperCollins.
- Csikszentmihalyi, M. (1997). *Finding flow: The psychology of engagement with everyday life*. New York: HarperCollins.
- Life Strategies Ltd. (2004). *So you want to be a consultant*. Available from: info@lifestrategies.ca.
- Muhtadie, L. (2004). *Most retirees would have kept working: Survey*. Retrieved on March 25, 2005 from: <http://www.nipissingu.ca/nufa/Articles/december1.htm#A14>
- Neault, R. A. (2003). *Building a business:10 steps to fun, freedom and financial independence. NATCON Papers, 2003*. Retrieved on March 25, 2005 from: www.contactpoint.ca/resources/dbase.php?type=user_query&fetchid=1465
- Needham, S. (2001). *So you want to be a consultant?* Retrieved on March 25, 2005 from www.insiderreports.com/storypage.asp_Q_ChanID_E_BZ_A_StoryID_E_20000058
- Pace Productivity (n.d.). *Time study: Consultants*. Retrieved on March 25, 2005 from www.getmoredone.com/research1.html.