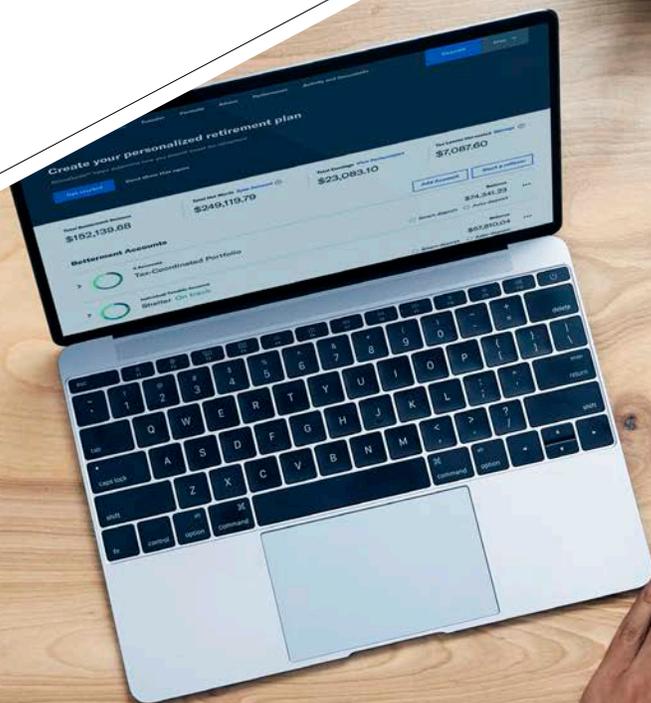


Betterment's 2018 Report:

GIG ECONOMY AND THE FUTURE OF RETIREMENT



Betterment

INTRODUCTION

Today, more than one in three U.S. workers are freelancers — and this figure is expected to grow to 40% by 2020 (Intuit). Increasingly, workers are eschewing or supplementing the traditional “nine-to-five” career with independent or temporary work. This trend, commonly known as the rise of the gig economy, is fundamentally changing the way we earn, spend and save for retirement.

Betterment’s inaugural report, *Gig Economy and the Future of Retirement*, examines the financial profiles of Americans earning an income through the gig economy. The report includes two distinct categories of these gig economy workers: full-time giggers, who rely on independent work and/or temporary contracts as their main source of income, and side-hustlers, who supplement a traditional full-time job with an independent or temporary gig.

In particular, the report addresses the challenges faced by full-time giggers and side-hustlers. While individuals have various reasons for participating in the gig economy, almost 40% of respondents feel unprepared to save enough to maintain their lifestyle during retirement. Of those who currently work as full-time giggers or side-hustlers, 16% plan to supplement their retirement income with gig economy jobs.

METHODOLOGY

An online survey was conducted with a panel of potential respondents. The recruitment period was February 1 to February 7, 2018.

A total of 1,000 respondents 25 years and older, living in the U.S. completed the survey. Of these, 500 have a full-time job as their primary source of income and have income from a job in the gig economy; 500 rely on gig economy jobs as their primary source of income.

The sample was provided by Market Cube, a research panel company. Panel respondents were invited to take the survey via an email invitation and were incentivized to participate via the panel’s established points program.

Key Finding #1

GIG ECONOMY IS A RETIREMENT BACK-UP PLAN

Workers with full-time jobs are relying on “side hustles” in the gig economy. The majority (67%) are doing so primarily for financial reasons, including to save for major purchases, pay off current debts, and dispel fears about their future finances.

A lack of retirement savings, specifically, is the reason a third of side-hustlers have a second job. As retirement looms, even those with a traditional nine-to-five job are realizing they didn’t save enough and want to increase their nest egg.

The closer these side-hustlers get to retirement age, the more likely they are to be using their gig economy job to save for retirement:

- **Under 35 (42%)**
- **35-54 (65%)**
- **55+ (76%)**

49%

of people over the age of 55 are saving for retirement with their side gig.



1 in 5 plan to continue in the gig economy after “retirement”

A significant number don’t plan to quit when retirement age comes. Many won’t quit their gig jobs when they reach retirement age or retire from their full-time career.

- **1 in 5 full-time giggers say they’ll continue to pick up incremental work in the gig economy as their main source of income following “retirement.”**
- **12% of side-hustlers will keep a side gig job as their main source of income after retiring from their traditional nine-to-five.**

Why? A third of survey respondents think it’s unlikely Social Security will be around by the time they retire.

High-earners (those making \$100,000 a year or more via their regular job and gig economy jobs combined) are using gig side-hustles to stockpile their nest egg quickly:

- **Two-thirds of high-earning side-hustlers think they’ll retire before the age of 66 (Q24).**



Key Finding #2

GIG ECONOMY WORKERS ARE NOT PREPARING FOR RETIREMENT EARLY ENOUGH

While employees with a traditional nine-to-five are getting gig economy jobs to make up for gaps in their retirement savings, full-time giggers are unprepared for their financial future.

The freedom and flexibility of the gig economy is nice now, but unsustainable for many. **7 in 10 “full-time giggers”** say they are unprepared to maintain their current lifestyle during retirement.



Nearly a third of gig workers associate retirement with anxiety.

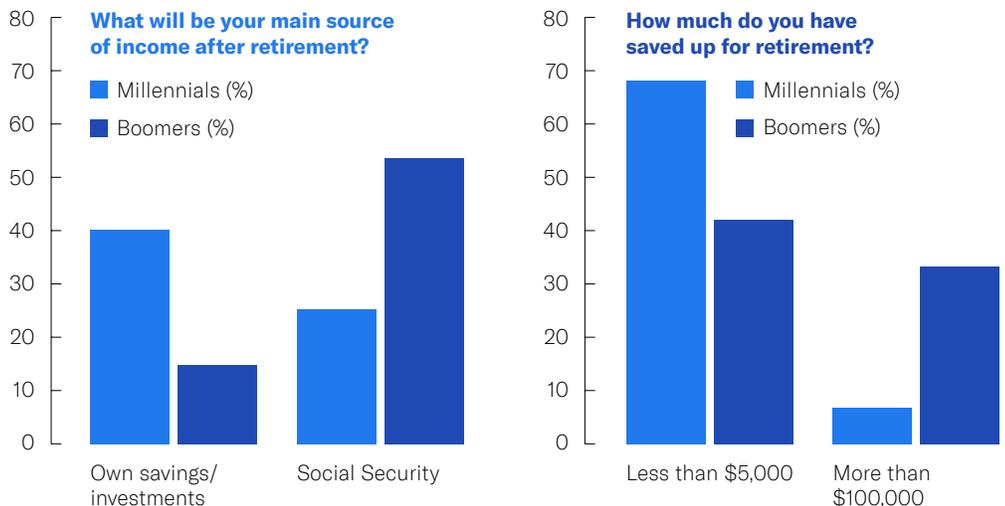


This could be because **3 in 10 people** who make their main income through the gig economy set aside no money for retirement regularly, leaving a sour feeling when thinking about their retirement.

Accumulated retirement savings	Full-time job with side gig	Gig job is main job
\$0	12%	27%
\$1-\$999	12%	21%
\$1,000-\$4,999	13%	9%
\$5,000-\$9,999	11%	7%
\$10,000-\$49,000	23%	13%
\$50,000-\$99,999	11%	7%
\$100,000-\$249,000	9%	7%
\$250,000-\$499,000	5%	6%
\$500,000-\$999,999	3%	2%
\$1,000,000 or more	2%	1%

How much do people have saved for retirement?

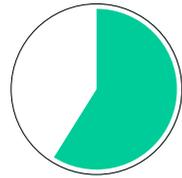
Full-time giggers represent a diversity of ages, but millennials and boomers in the gig economy have different visions of what they'll be able to rely on during retirement. Millennials are more confident in their ability to save, while boomers nearing retirement have accepted they're going to fall short of savings goals.



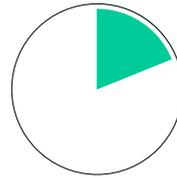
Key Finding #3

GIGGERS ARE TECH-SAVVY IN FINDING WORK, BUT LUDDITES WHEN IT COMES TO SAVING

Gig economy workers are trying to save. Whether the effort is successful or not, 87% say they make a concerted effort to save money from their income on a regular basis. Could technology help them save better? Whether driving for a ride-sharing platform or selling products online, giggers are more tech-savvy by nature, but there's a major disconnect when it comes to the way they're saving:



59%
use a digital platform for their job.



19%
use an automated savings tool or app to save money.

More than twice as many gig economy workers are saving in cash vs. saving with the help of an automated tool.

42% store cash at home.

19% use automated savings tool/app.

35% deposit automatically to savings via bank.



Giggers might be storing money in the mattress, but it comes

to investing, they're slightly more tech savvy. Nearly half are investing leftover income on a regular basis, and those who do seem to embrace digital tools. Giggers are more likely to use self-managed funds (36%) or to rely on an automated financial advising platform or tool (28%) than to meet with a wealth manager in person (20%).

Key Finding #4

THE GIG ECONOMY IS A DEBT ECONOMY

More than half of gig economy workers turn to this new way of working for financial reasons, not just for the freedom and flexibility it provides.

While retirement catch-up is part of the equation, debt seems to play a big role in why 81% of workers say they can't afford to prioritize saving for retirement.



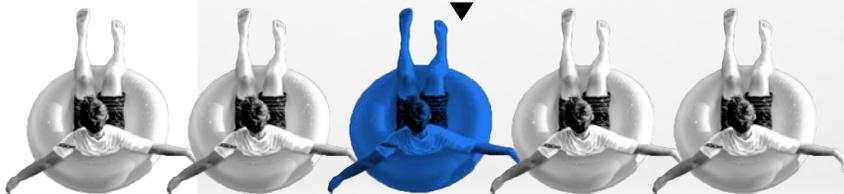
68% are using their gig economy job to pay off some kind of debt.

Nearly half have more than \$10,000 in debt, excluding mortgages.

For those who can afford to save every month, saving for retirement is still secondary to getting out of debt:

1 in 5 say their primary reason is to save for retirement.

1 in 3 say their primary reason for saving is to get out of debt.



26% of millennials with side hustles say they are using the extra money to pay for their own school tuition.

Women are more likely than men to be paying off student loan debt.

Hustling because they have to: side-hustlers who are supplementing their traditional nine-to-five with gig work tend to be in the worst financial shape.

72% are working to pay off debt:

- 42% are paying off credit card debt
- 33% are paying off student loan debt
- 16% have more than \$50,000 in debt, excluding mortgages

63% are working in order to make a payment on something specific:

- 26%: Tuition
- 24%: Medical bills
- 23%: Car repairs
- 17%: Home or appliance repairs



HOW POLITICAL VIEWS INFLUENCE RETIREMENT READINESS

Political leanings may be associated with uncertainty and readiness around retirement in the gig economy. Republican gig economy workers appear to be the best prepared for retirement. Democrats and Independents are more than twice as likely as Republicans to set aside no monthly retirement savings.

- 46% of Republicans say they are prepared to maintain their current lifestyles during retirement, compared to 32% of Democrats and 29% of Independents
- 29% of giggers who identify as Independents say they'll never retire

Financial fears abound.

- 50% of Democrats say fear or anxiety is the top word they associate with retirement, compared to 35% of Republicans.
- Women, regardless of political affiliation, are more concerned; 35% of women feel much less secure about their financial future since the election of the current administration, vs. 18% of men.

Democrats are much more worried than Republicans about an economic downturn in the next one to two years:

	Democrat	Republican	Independent
Very worried	19%	8%	16%
Worried	25%	15%	20%
Somewhat worried	41%	35%	39%
Not very worried	13%	31%	18%
Not worried at all	2%	11%	6%

CONCLUSION

The gig economy ushered in a new way of working, which in turn has ushered in a new way of retiring. Whether they're full-time giggers or side-hustlers, today's workers don't feel they can save enough for retirement. They're often saddled with debt or lacking traditional employer-sponsored retirement plans, and intend to turn to gig jobs to supplement or even replace traditional retirement savings. Technology in the form of on-demand gig apps or freelance websites has enabled an entirely new workforce, yet giggers don't turn to technology for savings or investing with the same frequency they do for finding jobs. Giggers need to embrace technology as a tool for work today, as well as retirement tomorrow.

Our aim at **Betterment** has always been to leverage the power and ubiquity of technology to make investing and saving for retirement accessible and easy. With affordable, automated investment options for full-time workers and giggers alike, we look forward to partnering with workers on this new path to retirement.

Investing in securities involves risks, and there is always the potential of losing money when you invest in securities.