

Over 70% of Workers Choose to Be in Gig Economy, Even Higher Numbers for Older Workers

New Hearts & Wallets Analysis of Income Sources & Net Worth Highlights Growing Importance of Real Estate for Households; Savings Up but Still a Gap

(Rye, NY) – One in 4 U.S. households has at least one partner employed in the gig economy, rising to 4 in 10 for older workers with 70% of workers, and even higher percentages of older workers, saying alternative employment is by choice, according to new research from **Hearts & Wallets**, the source for retail investor data and insights.

Two new reports, *Income & Net Worth* and *Retirement & Funding* insight modules from the annual Hearts & Wallets Investor Quantitative Database™ (IQ Database™), analyzes net worth and income sources for U.S. households and examines the changing ways Americans accumulate wealth, save for retirement, and manage income in retirement. The IQ Database is the broadest and deepest single dataset of consumer financial behaviors and attitudes, encompassing 35,000 consumers since 2010. The latest report identifies the gig economy's impact on income and retirement, the need to understand a household's finances beyond investable assets, and the potential underfunding of retirement savings for 6 in 10 households when only personal assets are considered.

“It's important that saving and investing solutions be grounded in the financial reality of the people who they are designed to help,” says Laura Varas, CEO and founder of Hearts & Wallets. “People working in the gig economy often don't have access to employer-sponsored retirement plans, but they still need to save for the future. On the other hand, the positive benefits of the gig economy mean that financial planning needs to evolve to encompass better estimates of human capital, or the ability to work.”

Gig Work and Retirement

In total, about one-third or 27.6 million out of 85 million U.S. households have at least one partner employed part- or full-time in the gig economy, excluding pre- and post-retirees. All but 5.9 million say they are employed by choice. More younger lifestages, ages 21 to 39, would prefer full-time employment, but still only 30% would take this option. For gig economy workers in their 40s, 50s and early 60s, satisfaction rates are in the low 80 percentiles. This universe includes fully employed seniors, age 65 and above, for whom 92% say gig economy employment is a choice.

Even in retirement, all types of work are growing factors. The three most common sources of retirement income households anticipate households are Social Security, retirement account withdrawals and employment. One-third (36%) of future retirees expect to have employment income, up 7 percentage points from last year, with employment making up one quarter of their income. The shifting shape of work not only is transforming the American vision of employment but also retirement. After a several year trend of a majority wanting to work as long as health permits, that number dropped to less (45%) this past year that now see this as a goal. More households than ever (35%) in the past seven years “want to stop working/retire at a certain age.”

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“Many Americans are telling us these flexible working arrangements work for them,” Varas said. “We believe the increase in the desire to stop work is a reflection of greater control over their ability to work. That’s a positive note especially given the ageism stories we hear in focus groups with older workers. Employment is the starting point for household finance.”

True View of Household Finances

The report analyzes the vital role real estate plays in household wealth and its potential to be incorporated into financial advice and guidance experiences. For households with less than \$500,000 in investable assets, real estate represents over half of assets. Even for wealthier households, real estate still averages a quarter to a third of total assets.

Part of household wealth is driven by the saving rate. The portion of U.S. households saving 4% or more rose to almost half (48%), driven by the under \$100,000 wealth group last year. Still 1 in 4 households saved nothing at all or spent more than income, and 1 in 4 mid-life and post-retirement households are not adding to savings. Only 1 in 4 households saved over 10% of income.

Participation in an employer-sponsored retirement plan (ESRP) is one way to prepare to stop work. Yet even as eligible household participation remains at above 80%, the portion of savings going into these plans continue to decline, underscoring the importance of multi-goal planning. ESRPs are especially relevant to middle-aged households, where participation is high and growing.

Looking more comprehensively at U.S. retirement readiness, about 6 in 10 households expect to use personal assets for retirement income. Most are underfunded using traditional wealth measures. The Hearts & Wallets Retirement Reachability Ratio (“RRR”) measures current assets relative to assets needed to fund the role that each household anticipates for personal assets.

“Financial providers can develop better solutions for customers by understanding the reality of the individual household financial situation that takes into account real estate, human capital, children, inheritances and other variables,” Varas said. “Households may be in better shape for retirement than anticipated using a broader view of household wealth, but much work needs to be done in partnership with financial services to prepare and support Americans going forward on their choices, from employment, saving, spending to investments.”

Methodology

Income & Net Wealth and Retirement & Funding reports are drawn from the section of the Hearts & Wallets Investor Quantitative Database (IQ Database) analyzing the behaviors and attitudes of over 5,000 IQ Database households.

About Hearts & Wallets

Hearts & Wallets is a data and consulting firm focused on understanding the drivers behind retail investor decision making. Combining a consumer marketing framework with financial services operating experience, the company’s mission is to be a catalyst for consumer-driven innovation in retail investing and saving. Hearts & Wallets works with leading financial providers to improve the effectiveness of their marketing communications, solution design and service delivery. For more information visit www.heartsandwallets.com.

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