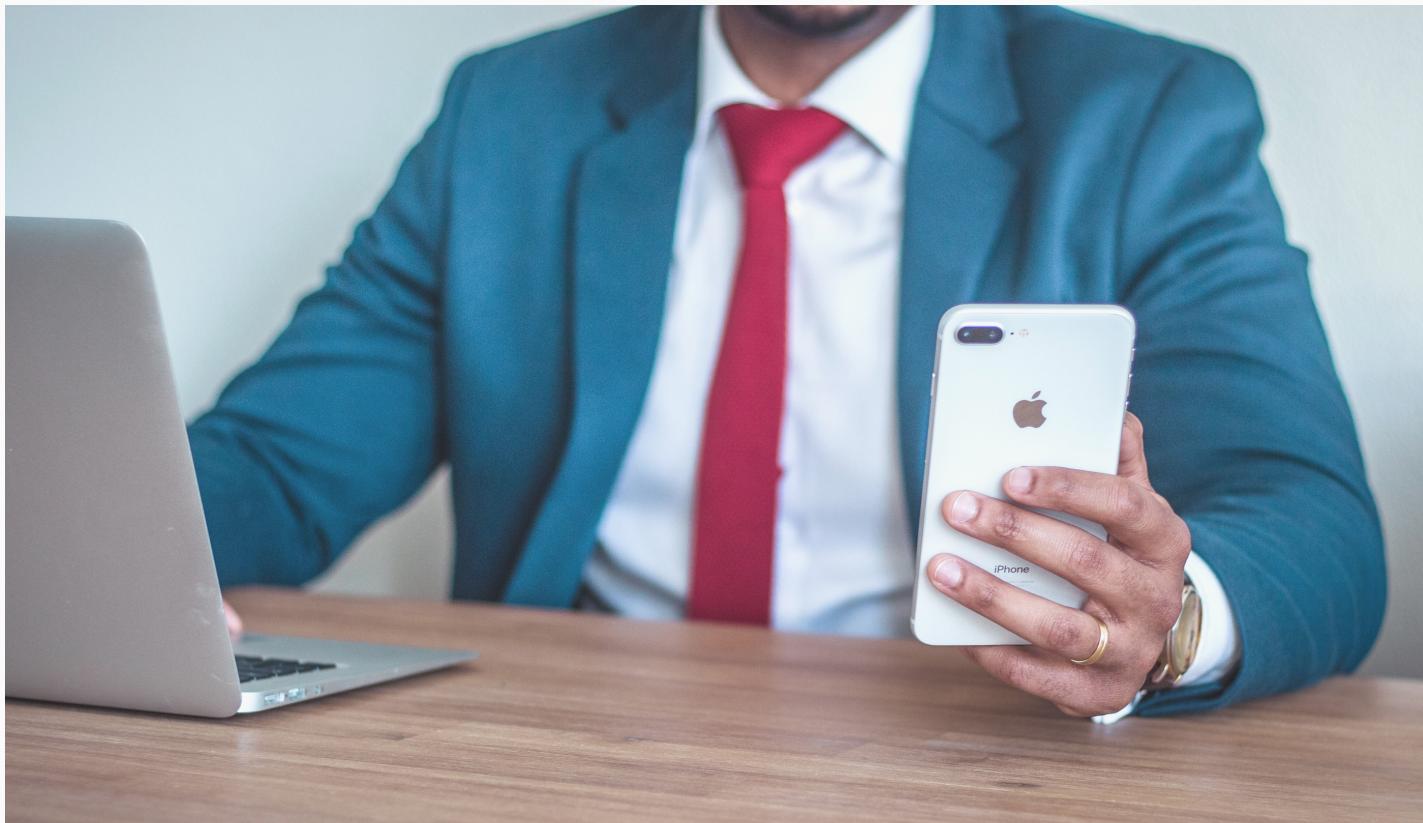


TUESDAY TIMES

FINANCIAL PLANNING FOR THE GIG ECONOMY WORKERS

BY TAN SENG CHUAN



Gig economy workers are individuals who are paid for doing temporary jobs assignment, as opposed to working for a company or organization as an employee. They include individuals like Grab drivers, freelance designers, contract workers, artists etc, and they are typically paid an agree upon fee for their services rendered or job done. According to a Today's article¹, it is reported that "there were about 200,000 freelancers in 2016 and self-employed persons made up 8 to 10 per cent of the resident workforce" and "more people are working in the gig economy". With the rise of gig economy workers, this article hopes to share some financial planning tips & suggestion that they can take reference for their own financial planning.

Tip #1: Set aside more emergency cash savings

Gig economy workers are paid on ad hoc basis for their job done, and they are faced with the uncertainty of having regular income or revenue should there be a lack of assignment. Their revenue will be affected as well should they fall sick or go away for vacation. With this concern, it is better for gig economy workers to set aside more emergency cash savings to mitigate this concern. It is typically recommended to have 6 months of worth of living expenses as emergency cash. With the above concern, gig economy workers may want to set aside more of emergency cash (eg say 9 to 12 months) as contingency planning.

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Tip #2: Get coverage for Accident & Health & the 3Ds (death/disability/diseases)

As gig economy workers are not permanent staff or employees of company, they do not have employees benefits like health insurance that a normal employee would have typically. Should they fall sick or get into accident, they are faced with medical bill, and in some cases unable to work as well, and thus affecting their income & revenue. Similarly, gig economy workers do not have insurance coverage from company to cover against death/disability/diseases (critical illness). Should any of these events happen, they will be impacted financially, and they do not have any insurance payment to replace their income or used for treatment. As such, is important that gig economy worker get their own accident & health coverage plan, as well as insurance plan to cover the 3Ds to hedge against these risks. For those who are married, they may want to be included in their spouse's employee benefit coverage as dependants (if it is allowed)

Tip #3: Getting their own savings/investment for retirement planning

As self employed & freelancers, gig economy workers have no or little CPF contributions. As such, they may not have the retirement savings through the CPF LIFE plan. With this in mind, they will have to take up their own savings & investment to plan for their retirement planning. In addition, as gig economy workers typically have more variable and irregular income & revenue due to their nature of work, it will be good that they can do some savings & investment for their accumulation needs & planning for retirement and other objectives that they may have.

Tip 4#: Conduct regular reviews

There are always new changes & development, and such changes happen more frequently now. Thus, it will be good for gig economy workers to have regular reviews to ensure their financial portfolio are still relevant with changes, and more important in line with their goals & objectives. Just like one does regular annual medical check-up or visiting a dentist yearly, it will be good to have financial review done once a year with a trusted & competent financial practitioner as well.

The list above is certainly not exhaustive, but I hope that the above-mentioned tips are useful for gig economy worker to take reference from in their financial planning journey. Every individual has different situations & concerns. Therefore, it will be better that gig economy worker can work with a trusted & competent financial practitioner to go through the proper financial planning process, so as to help them achieve your financial goals & peace of mind. Act now, and I wish you every success in your financial planning journey.



Tan Seng Chuan is a licensed financial practitioner and an active IFPAS member.

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Notes:

1 – <https://www.todayonline.com/singapore/contracts-can-be-career-finding-place-gig-economy>

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