

## **Money Unscripted: Side hustle money moves**

[00:00:00.80] You have a 40-hour a week job. What does a side hustle add?

[00:00:05.56] Oh, chaos? Graham, this side.

[00:00:08.94] The upside of side hustling, all the flexibility. You get to make your own schedule, and it's fun. These guys are so adorable.

[00:00:14.92] It just takes this weight off your shoulders, not having to think about the every penny all the time. And that feels really good now.

[00:00:20.91] Thanks for funding my Argentina trip, dude.

[00:00:28.12] Welcome to Money Unscripted, a new podcast from Fidelity Investments. We're having candid conversations about life and money, jargon and judgment free. I'm Ally Donnelly. Thanks for joining us.

[00:00:38.24] Whether it's for extra cash or to lean into a creative itch, side hustles are on the rise. So today, we're talking about how to own your hustle, from organizing your calendar and your cash, to planning for taxes and maximizing that side hustle income.

[00:00:52.58] Let me introduce you to Megan Stokes, who has not one, but three side hustles. Cue the cute puppies.

[00:00:59.47] OK, who's ready for a walk?

[00:01:00.69] Megan Stokes is busy. She's got a full-time job as a fundraiser for public television, and three side hustles.

[00:01:08.59] There's a lot of hours in the day, Ally.

[00:01:12.47] Megan walks dogs.

[00:01:13.77] OK. Come on, guys.

[00:01:14.64] Sells clothes online.

[00:01:16.09] I think I'm ready for something new.

[00:01:17.86] And occasionally rents out a room in her home.

[00:01:20.34] We don't need to rent the room as much anymore because we're making so much money from the puppy dogs. Thank you, Radar.

[00:01:27.33] At the beginning, it was a necessity. This is how we paid the rent, how we paid bills. And then for a while there, in the middle, we would use it as the fancy eating out fund. We could go out to dinner, which was a new thing for us. And now it's nice vacations to Argentina.

[00:01:44.00] Good boy.

[00:01:45.07] What's the side hustle like?

[00:01:46.33] We have a very intense calendar at my house.

[00:01:49.08] Yeah, I have a full day. If you could do the morning, that would be helpful.

[00:01:53.67] My husband and I have to check in every day, who's doing which walks.

[00:01:56.50] I'm going to run Cleo, Atlas, and Radar in the morning.

[00:02:00.96] But, yeah, we have, I think a roster of probably like 14 dogs and some cats now.

[00:02:06.01] At your house?

[00:02:06.58] At my house.

[00:02:07.50] Oh my gosh. That is a lot.

[00:02:09.50] This is decaf, by the way.

[00:02:12.86] What do you think is driving this need for you?

[00:02:15.58] Money angst from childhood.

[00:02:17.31] There it is. It always comes back to the childhood.

[00:02:21.30] Well, yeah. It definitely does. Like I remember sitting at the kitchen table clipping coupons with my mom. My mom had a babysitting side hustle. She was also a teacher. She was also sewing curtains for the neighbors.

[00:02:32.27] I think today, I just, I have the ability to do it. I do love dogs. And if it's going to make me feel safer, financially. God forbid, I lose my job, my husband loses his job. We have money in the bank now and primarily it's because of the side hustles.

[00:02:45.83] Megan says there are plenty of upsides to side hustling.

[00:02:48.85] Dogs are really, really fun. You get to be outside. You get lots of wet kisses.

[00:02:54.57] Oh, thank you.

[00:02:55.71] And freedom. I have all this extra money to pay my bills and do all the fun stuff.

[00:03:01.71] But there are potential downsides.

[00:03:04.22] Oh, Dallas.

[00:03:05.57] Blizzards. The dogs you thought were good, but then pee on your bed. Sometimes they're just the hell scheduling week and fitting it in with a 40-hour work week because that comes first, really. That's making the bulk of our income still. This is the side hustle.

[00:03:20.75] I would say this is work, so make sure you pick something that you actually like to do. And you're going to have to pay taxes on this. Don't wait until the end of the year and then get hit with your tax bill. Set money aside each month to make sure that you're able to pay your taxes.

[00:03:35.20] That was a tough lesson for you.

[00:03:36.62] Yeah, the first year, we had no idea. We owed many thousands of dollars. And it was really a tight stretch for a little bit there.

[00:03:45.13] Let's go get some treats.

[00:03:46.16] If you're feeling money anxiety, it could be something you absolutely love, with the flexibility to fit into your schedule, where you're able to. And then you can just feel better about your budget.

[00:03:57.43] Good boys and girls. Good, Graham Cracker. I love you, even though you're a crazy girl.

[00:04:05.04] Megan is one of millions of Americans who now have a side hustle. And I'm fascinated by the shifting population in this space. But before we dig in, I want to bring Angela Walker into the conversation. Angela's job here at Fidelity is to help people who do independent work with their finances. And she's going to dig into the trends and money strategies to help you make your hustle hustle harder for you. Angela, welcome.

[00:04:29.05] Thank you. Thank you so much for having me.

[00:04:30.92] Yeah, I'm glad you're here. Help us understand the side hustle numbers and how they've changed.

[00:04:36.40] Yeah. So Megan is really interesting because she's part of this trend that we see, where more and more people are doing work in addition to their full-time job, which is like freelance work, gig work, maybe building something and selling it. And so the number of people that are doing this has been increasing really rapidly over the last few years. Between 2020 and 2023, that number nearly doubled.

[00:04:58.27] In fact, more than a quarter of the US workforce right now is participating in independent work, either full time or just kind of occasionally, from time to time, to earn a little extra money.

[00:05:07.02] I'm just, I'm so fascinated by it. Nearly doubled. So who are they?

[00:05:10.98] So definitely the younger generation is embracing the side hustle. More than half of Gen Z do independent work, and around 40% of them actually have a full time job and have a side hustle.

[00:05:24.08] But you kind of expect that younger number, right, or that younger generation.

[00:05:27.20] Yeah, you do. But I want to be clear that it's not just the younger generation that is doing this. Actually, if you look at the workforce of people between ages 35 and 54, about a third of them also participate in independent work. So not just a young trend.

[00:05:42.26] That, to me, is surprising, that upper age limit. What do you think is behind that growth?

[00:05:48.03] Yeah, so there's a couple of things that are really kind of unique right now, as compared to the past. One is there's just a lot more access to independent work. I think that Megan is a great example of this. She's walking dogs. Well, there's platforms now where you can go and find jobs walking dogs. It's just really easy to find all kinds of delivery driving, various types of gig work.

[00:06:12.37] And then the second thing is that attitudes about work are really shifting. So in the past, maybe people would be a little bit more inclined to, say, wait for that promotion at work to really increase their income or really stretch themselves in terms of their skills. Well, people are doing that through side hustles now. They're getting that extra income. They're really learning those new skills.

[00:06:33.21] But I have friends who are doing a side hustle, and I wouldn't necessarily say it's all about the money, always.

[00:06:39.80] Oh, definitely not. Some people are doing this just because they love it. There's a lot of people out there who are just like scratching that creative itch with their side hustle.

[00:06:48.62] That's so true, that's so true. OK, so let's get into the work. What is a top rule, or your number one rule, of having a side hustle?

[00:06:57.84] So I have to really agree with Megan on this, you have to be organized. But I'm going to add a financial spin and say you've got to get your finances organized. So that's the number one thing.

[00:07:08.15] And the reason is that a lot of people who are doing this side hustle work, they're actually doing work where they're selling services or goods of some sort. And so that means that the income that they're getting is actually business income. And so if you can organize that income for your business, you can actually maximize your side hustle income that way.

[00:07:28.87] OK, anything else about the income?

[00:07:30.89] Yeah, so I think that the number one thing to do to make this really easy is just open up a separate account for your business income. This makes it really easy for you to see how much money you're earning from your side hustle. You can see money coming in. You also want to spend any money that is associated with that side hustle, out of that account. This really helps you to understand how much money you're getting from your side hustle.

[00:07:54.81] So the second reason that opening this separate account can be really helpful is that a lot of people are doing their side gig because they have a specific financial goal in mind. And so when you have your money in that separate account, you're not spending it on other things by accident. You make sure you can really see how well you're progressing to that goal.

[00:08:12.41] So it might be a vacation or a house or something like that.

[00:08:14.88] Exactly, exactly. And then the third thing, and this one is really important, which is if you put your side hustle money in a separate account, at tax time, it makes your life a lot easier.

[00:08:25.01] OK. All right, let's talk about tax time because that was a tough lesson for Megan and her husband, that they didn't plan for taxes. That was a bit of a brutal wake up call. First, let me say, Fidelity does not give tax or legal advice. If you want to talk to a tax professional or your lawyer, you should do that, about your specific situation. But in terms of general information what do people need to know about taxes and their side hustle?

[00:08:49.62] Yeah. So I think the reason that Megan might have gotten tripped up is she had that independent income. In other words, it was business income. And when you have that business income, it's actually a little bit different than income from a traditional employer. And so there's a couple of things that people need to keep in mind if their side hustle is bringing in that business income.

[00:09:12.11] First of all, as you said, number one rule is consult an expert. And I would say consult an expert before you get involved. And the reason is that your tax obligations are going to be a little bit different, and when you pay those taxes, may also need to be a little bit different. So I would just reinforce that message. It's really important to understand those tax obligations up front.

[00:09:33.21] Give us some guidance on how to make that as simple and as manageable as possible.

[00:09:38.50] Yeah. So I think the number one thing is what we already talked about, which is just open up that separate account. The great thing about that is you'll have all of your income and expenses for that side business all in one account, and that makes it easier at tax time. Just make sure you can easily see and access all those transactions and then you have your records all in order for your taxes.

[00:10:01.78] And there's one other thing I would say that's really important, which is to make sure that you're keeping up throughout the year with what that tax obligation is going to be so that when it comes time to pay, you have that money there and you haven't already spent it. So keep a running tally of what you think those taxes are going to be throughout the year, and keep that money set aside.

[00:10:18.78] OK, so as we're talking about the money not set aside for taxes, I know you have other ways to maximize that side hustle income. So share what those are.

[00:10:27.12] Depending on what your savings goals are in your individual situation, you may be able to use a tax advantaged account to save for health care expenses or for retirement savings. So those tax advantaged accounts can be just a great way to, again, maximize the income that you're getting.

[00:10:43.63] OK. So let's talk specifically about retirement.

[00:10:46.07] There are a number of different retirement accounts out there that you can use to save for retirement, in a tax advantaged way. And one of the things that's really interesting about if your side hustle is bringing in business income, is you may be able actually to open up a special type of retirement account, a small business retirement account. And some of these accounts have up to \$69,000 in annual contribution limits. And so they can really help you set aside more money if you're bringing in that business income.

[00:11:14.28] OK. So obviously situational, but up to \$69,000.

[00:11:18.60] Yeah. It's a lot of extra that you potentially could be putting aside. So I would say if you go to [Fidelity.com/SmallBusiness](https://www.fidelity.com/smallbusiness), you can learn a lot more about what the options are. And there's also a great little tool on there. I've taken it myself. It takes like two minutes.

[00:11:34.82] It's going to ask you some questions about your individual situation. And it's just going to give you some options of the different types of accounts that could be of interest to you and help you understand them.

[00:11:44.74] OK. All right, that's great. What about medical expenses?

[00:11:47.54] So if you have a high-deductible health plan, and this is really true for anyone, regardless of your work situation, with that high-deductible health plan, you could be eligible to open up a health savings account. Sometimes, people get them through their employer but individuals can also open them up. And they're very useful accounts, from a tax advantage standpoint because they have three tax advantages.

[00:12:12.05] The first is when you put money into your account, it's tax deductible, or if your employer puts money into your account, they may do that without withholding taxes. The second thing is when you take money out of the account, it's not taxed, as long as it's used for qualified medical expenses.

[00:12:28.82] And the third thing is you can use the money in that health savings account to save for medical expenses in the future. It stays there forever. And it can be invested. If you invest it and you earn money from your investments, those are also not taxed.

[00:12:42.91] OK. All right, that's good to know. My dog walking is going awesome. I'm selling muffins out the back door, like I'm doing great. What if I want to turn my side hustle into a full-time job?

[00:12:55.93] Oh, what a wonderful question. So we see a lot of people doing this, actually. We see an increasing number of independent workers who are doing it full time, in parallel with this rise of people who are doing it on the side. So I think a lot of people are doing this.

[00:13:11.28] And I would say there are maybe a few things to think about if you're thinking about turning that side hustle into your full-time gig. The first thing is, when you're making a big career transition, you really want to make sure that your emergency savings are in good shape, just in case something goes wrong, or if you're starting a business, maybe it takes a little while to get going. So we recommend at least three to six months of emergency savings.

[00:13:33.51] Really think about your individual situation. Make sure you feel comfortable with the amount of emergency savings that you have. So that's number one.

[00:13:40.69] Let me dig in there for a second. Let me pause you there. Because it's like I can imagine someone hearing this might say, that's why I'm even launching the side hustle. I don't have three to six months to put into that. What would you say to that?

[00:13:54.73] Yeah. I would say try to get as much there as you can and just be prepared. Have a plan. One of the things we see is if their side hustle is a business, so if you start doing gig work, freelance work, selling things full time, one of the things that can happen is your income can go up and down a bit. Maybe you get that big contract this month, but you don't have it next month. Maybe you sell a lot of muffins this month and not as many next month.

[00:14:24.87] So I would say that emergency savings is actually really important. So make sure that you have a plan in place, whether it's emergency savings or something else, just in case the income is not what you're expecting.

[00:14:36.04] So work toward that goal.

[00:14:37.23] Exactly.

[00:14:37.84] OK, terrific. What else if people are thinking about launching their own business?

[00:14:41.61] Yeah. So a big thing to think about is benefits. So look at the benefits that you're getting from your current employer. Maybe it's health insurance, retirement savings, life insurance, maybe even disability insurance. And have an understanding of what insurance or benefits you may have in your new employment situation. And make a plan for what you're going to do for anything that's not going to be in place there. So that's really important.

[00:15:08.07] You might have additional expenses related to that. So maybe you get health insurance from your employer today. Maybe you don't in the future. Make sure you account for that in your budget as well, so you know you're going to have that extra expense there.

[00:15:20.16] And, also, it's really important to make sure that you think about your current 401(k). So make sure you understand the rules of the plan that your current employer has. Make sure you understand what options are available. And think about what you might want to do with that money. Also think about how you keep your retirement savings on track for the future and make sure you understand the options available.

[00:15:41.06] All right. Terrific, terrific. Final thought to leave people with?

[00:15:45.65] I think the side hustle trend is wonderful. I think it's very exciting. I love to see people taking control of their finances, of their careers, of their interests, their creativity. But if you want to maximize the income you're getting from your side hustle, it's important to be organized.

[00:16:03.02] Awesome. Good tip, pro tip. Thank you. Terrific. Angela, thank you so much.

[00:16:06.77] Yes. Thank you so much for having me. It's been great catching up.

[00:16:09.87] And thanks to you for being with us. For more tools and resources, head to our website. It's [Fidelity.com/MoneyUnscripted](https://Fidelity.com/MoneyUnscripted). You'll find everything from side hustle ideas to

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**Footnotes and disclosures:**

MBO partners, Research Report, 2020

MBO partners, Research Report, 2023

2023 EY Gen Z Segmentation Study

McKinsey & Company, August 2022

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