



HIGHTOWER  
Westchester



## Gig Economy 101

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What You Gain and What You Risk

The gig economy has been steadily growing over the past several years, and by 2027, it's expected that half of the developed world's workforce will be part of it.<sup>1</sup> Gig work differs from traditional employment in that it's typically short-term and project-based, offering greater flexibility in both work hours and location. Instead of being paid hourly or receiving a salary, gig workers are compensated for the specific tasks or projects they complete.

Gig work is more common than you might think. Many of these jobs rely on digital platforms to connect workers with clients. Popular examples include freelance gigs through sites like Upwork, Etsy, and Taskrabbit, as well as rideshare and delivery jobs via platforms like Uber, Lyft, and DoorDash. The gig economy also includes vacation rental services, where individuals earn income by renting out their properties for short-term stays.

While technology has made gig work more accessible, there's another reason this type of work arrangement has become increasingly common. During the COVID-19 pandemic, many companies laid off employees due to lockdown mandates, supply chain disruptions, and fears of a global recession. In 2021, as the global economy rebounded and governments introduced fiscal stimulus packages, companies began hiring rapidly to meet rising consumer demand. But, as the saying goes, what goes up must come down. In 2022 and 2023, many companies, especially in the tech sector, realized they had overhired. To align with economic pressures like inflation, they were forced to reduce headcount, leading to another wave of layoffs.



As market uncertainty persists and workers continue to seek flexibility, gig work is likely to keep expanding. With its growing popularity, especially among millennials and Gen Z, who tend to participate in the gig economy at higher rates, it's important to understand the pros and cons of choosing gig work over traditional employment. Below, we outline the key advantages and disadvantages of the gig economy.

## THE PROS OF GIG WORK

### 01 | Flexibility

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During the pandemic, we saw a rise in flexible work arrangements through remote and hybrid models. Some companies even introduced perks like a four-day workweek or “summer Fridays,” where employees were given a half day off. However, in recent years, many companies have started enforcing return-to-office mandates, requiring employees to be in the office five days a week. This shift has led many full-time traditional workers to explore other opportunities that offer the flexibility they had grown accustomed to during the pandemic.

In the gig economy, workers can set their own schedules, giving them the freedom to focus on other priorities like education, family, and overall work-life balance. Flexibility can also spark creativity and bring a sense of renewal, as it allows individuals to choose projects that align with their interests and strengths. These projects often add variety to the routine of a long-term role. Workers can even take on multiple projects at once to gain experience and boost their income.

### 02 | High Earning Potential

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Unlike traditional jobs with fixed annual salaries, gig work gives individuals the ability to increase their income based on the jobs they choose. Freelancers, tutors, and virtual assistants, for example, can set their own rates based on their skills, business expenses, and market demand. If your skills are in high demand, you can charge more for your services.

Gig workers may also save money by avoiding daily commutes, which can significantly increase their take-home pay. Commuting costs, whether by car or public transit, can add up quickly. When you also consider expenses like meals and work attire, it’s easy to see how traditional office work can come with hidden costs. Gig workers can reduce these expenses by working from home or public spaces, which may also open the door to tax deductions.

### 03 | Increased Job Satisfaction

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Often, when individuals are self-employed, they feel an increased sense of job satisfaction through the autonomy that working for themselves gives them. When you’re your own boss, you can set your schedule according to your lifestyle as opposed to working 9-5 from Monday through Friday. This flexibility, as mentioned, allows you to focus on more mentally fulfilling things such as engaging in hobbies and spending time with loved ones. Gig workers also have the tendency to be more enthusiastic about the projects they take on, which helps improve mental health outcomes and overall increases quality of life.



## THE CONS OF GIG WORK

### 01 | Unsteady Pay and Job Security

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While gig workers enjoy the flexibility of choosing their own projects, that freedom often comes at a cost. For freelancers, the types of projects and clients they work with can vary from month to month, making it difficult to rely on a consistent income. Property owners on vacation rental platforms may see a drop in bookings due to off-seasons, severe weather, or other external factors that reduce tourism. In jobs like rideshare driving or food delivery, weekly demand can fluctuate, and platform algorithms may offer different payouts depending on the route taken or whether the customer tips.

The lack of guaranteed work inherent in short-term or part-time employment can pose a serious risk to a worker's financial stability. During economic downturns, when consumers begin cutting back on spending, gig workers may find themselves without enough income to make ends meet.

Gig workers are also at the mercy of client reviews. Since they represent themselves, they must actively market their services to a broad ecosystem of potential clients. A single negative review can significantly impact their ability to secure future work. In contrast, employees within organizations are often shielded from public scrutiny, unless they hold highly visible roles. But when you run your own business, you become the face of it and must manage both positive and negative feedback directly.

Ultimately, this constant financial uncertainty, combined with fluctuating assignments, can take a toll on mental well-being. The stress of not knowing where the next job will come from can be overwhelming.

## 02 | Lack of Benefits

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One of the advantages of working full-time for an organization is having employer benefits and protections such as health insurance, retirement plans, student loan assistance, paid leave, and workers' compensation. But, since gig workers work for themselves, they do not gain the benefit of their employer helping out with those costs. When you are self-employed, you have to secure health insurance yourself. These plans, often found through the Affordable Care Act (ACA) Marketplace, are expensive for gig workers because they are responsible for paying the full premium themselves instead of receiving contributions from their employer. The premiums are often higher because the insurance companies can't spread the risk of large medical expenses across multiple people like they would when setting a premium for an employer-sponsored plan.

Additionally, self-employed individuals don't have the benefit of their employer contributing toward their retirement plan. Many companies offer a 401(k) match, where the company adds funds to an employee's retirement account based on the amount the employee contributes from their own salary. In turn, this helps the employee reach their retirement savings goal faster. However, in a self-employed situation, the individual has to set up and manage their own retirement plan, which can be either a solo 401(k), SEP IRA, SIMPLE IRA, or traditional or Roth IRA. In these plans, your contributions don't come out of your paycheck; rather, you must make contributions yourself. Each of these plans has different contribution limits each year, so it is important to be up to date on how much you are permitted to contribute.

For more information on retirement planning for self-employed persons, please read our ["2025 Guide to Retirement Planning"](#) blog.

## 03 | Self-Employment Taxes

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When you're a gig worker, the IRS typically classifies you as an independent contractor. As a result, the way you report income and pay taxes differs from that of an employee who receives a W-2.

Gig workers can fall into one of the following self-employed categories as defined by the IRS:

- **Independent contractor:** Individuals who are either business owners or contractors providing services to other businesses. You fall into this category if you do not perform services that are controlled by an employer.
- **Sole proprietor:** A single individual who owns and operates an unincorporated business (i.e., has not formed a separate legal entity).
- **Limited liability company (LLC):** A business structure allowed by state law that legally separates personal and business liabilities.

Regardless of which category you fall under, the IRS considers you self-employed. This means you need to file a Form 1040, aka an Individual Tax Return (used by individual tax filers to report total taxable income), along with a Schedule C (to report business income or loss) and Schedule SE (to calculate self-employment tax). If you earn \$600 or more from a client, they are required to send you a Form 1099-NEC. To accurately complete your tax return, self-employed workers must keep detailed records of the income they receive from their services.

If you conduct gig work through a digital platform like Uber or TikTok, there is usually a section in the app where you can download your earnings statements. Electronic payment apps and online banking services also offer features that allow you to access quarterly and annual summaries.

If you receive cash payments, you'll need to take extra steps to ensure your income is properly tracked. You can record cash payments using accounting software or by manually entering them into a spreadsheet. Whether you're paid digitally or in cash, you should also save receipts for business-related expenses such as supplies, equipment, licenses and permits, internet and phone costs, software, travel, and vehicle repairs. These expenses may be deductible and can reduce your taxable income. However, gathering and recording this information can be time-consuming and tedious, especially when done quarterly.

Lastly, gig workers must pay into Social Security and Medicare differently than W-2 workers. When you're self-employed, you pay into these programs through self-employment tax, rather than having it automatically withheld from your paycheck. In 2025, self-employed individuals pay a 12.4% Social Security tax on net earnings up to \$168,600.<sup>2</sup> This rate combines the employee and employer portions of the Social Security tax (each 6.2%). For Medicare, self-employed workers pay a standard 2.9% tax on all net earnings. If you earn more than \$200,000 (\$250,000 for married couples filing jointly), you are also required to pay an additional 0.9% Medicare tax.

## *conclusion*

Like any career path, gig work comes with both advantages and challenges. Whether it's the right fit for you depends on your personal goals, financial needs, and lifestyle preferences. If you're drawn to the flexibility of being your own boss, building a business, or supplementing your primary income, gig work can be a rewarding option. However, it also requires careful financial management, especially when it comes to taxes, budgeting for irregular income, and planning for long-term stability.

If you're considering entering the gig economy—or are already part of it—it's wise to consult with a financial advisor. Professional guidance can help you navigate complex tax obligations, manage cash flow, and build a solid retirement plan. We invite you to reach out to us for personalized strategies that support your financial well-being today and into the future.



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<sup>1</sup> Braun, S. (2025, April 17). The gig economy is growing three times faster than the traditional workforce, and Gen Z is leading the charge. Here's how employers can fight back and keep their talent from going rogue. Fortune. <https://fortune.com/2025/04/16/the-gig-economy-is-growing-3x-faster-than-the-traditional-workforce-and-gen-z-is-leading-the-charge-they-dont-trust-the-old-system/>

<sup>2</sup> Social Security Administration, If You Are Self-Employed (2025). Retrieved June 11, 2025, from <https://www.ssa.gov/pubs/EN-05-10022.pdf>.

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