Finding help and financial security in the gig economy

AMG National Trust Bank

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Do you have a child, grandchild or other close relative working in the gig economy, the temporary labor market of short-term contracts or freelance work as opposed to permanent jobs? Do they have a plan for financial security?

If not, encourage them to develop a relationship with a local banker, preferably one you or another family member already know and trust. The gig worker can benefit from the banker's experience with known family members when it comes to assessing their financial needs.

Bankers are trained in the five Cs of credit to gauge the worthiness of potential borrowers. The five Cs are character (integrity), capacity (sufficient cash flow to service the debt), capital (net worth), collateral (assets to secure the debt), and conditions (of the borrower and the overall economy).

Since gig workers often have variable and sometimes unstable or unpredictable income, it is imperative to have a close banker relationship to help establish a budget and savings plan to get through the out-of-work periods. A good rule of thumb is to have six months living expenses set aside. This also provides liquidity that a lender can consider when evaluating the applicant's ability to repay a loan, such as for a mortgage.

Bottom line: Just as one might have a personal relationship with a mechanic, doctor, lawyer, accountant, personal trainer or even barista, it makes sense to have a banker too.