

A man with dark hair and a beard, wearing a grey cardigan over a red shirt, is sitting at a desk in a dimly lit room. He is focused on his laptop, with his hands on the keyboard. The background shows a chalkboard with faint writing and some papers on a shelf.

2019 Hiscox
Side Hustle
to Small
Business™ Study

There is an important, untold story of the entrepreneurial experience. It is the story of how people often take their first step as an entrepreneur while still working at a full-time job.

The rise of the “side hustle” represents the newest iteration of entrepreneurship, but for many, it is just the beginning. A promising side hustle can be the impetus for leaving a full-time job to strike out on one’s own. But it’s not for the faint of heart. What motivates people to take this leap of faith? How long does it take before they’re ready to make the move? What risks are they undertaking to make their dreams of being their own boss come true?

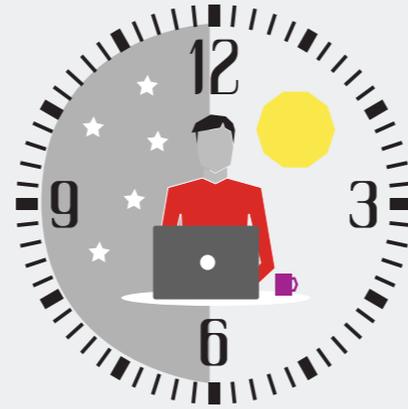
To answer these questions, the 2019 Hiscox Side Hustle to Small Business™ Study surveyed 400 small business owners whose businesses began as side hustles. The findings provide important insights that may prove especially valuable to those courageous entrepreneurs who are charting their own course.

Side Hustle to Small Business: The Journey Begins

A side hustle is any activity undertaken to make money in addition to someone's main job. It's not the same as a second job; rather, it represents a form of self-employment where the hours worked and decisions made are determined by the individual. The motivation to pursue a side hustle may be to earn extra money, to pursue a personal passion, or to test the waters of full-time self-employment.

Once the side hustle is launched, what does it take to turn it into a viable small business? A lot of hard work. Our survey found that people worked an average of 20 hours per week on their side hustle — above and beyond their full-time job. It also takes tenacity and determination — it took one year and seven months for the average side hustle to become a full-time business, and three years before the entrepreneur was earning what they earned at their last full-time job.

What does it take to transform a side hustle into a viable small business? A lot of hard work



● **20 hrs**

Individuals worked, on average, 20 hours per week on their side hustle while still employed in a full-time job.

● **19 months**
On average, respondents spent 19 months putting in extra hours and operating their side hustle before quitting their full-time job.

● **\$43,862**
On average, respondents needed to make at least \$43,862 from their side hustle before feeling comfortable about leaving their jobs to focus on their side hustle full time.

● **7 months**
On average, respondents hired their first employee seven months after leaving their full-time job.

● **3 years**
It took respondents three years, on average, to earn the same annual income as their last full-time job.



Side Hustle



Small Business

It Begins with a Dream

Our findings reinforce the optimism and courage of entrepreneurs and the crucial role that the side hustle plays in helping them realize their dreams. Here are some of the key findings:

- Three in four (76%) respondents' current business came from their first side hustle.
- For a majority (54%), starting a side hustle came about as a result of personal zeal; founders either wanted to fulfill a dream of starting their own business (30%) or to follow a passion (24%).
- For 30% of respondents, that passion lay in a totally different industry than the one in which they were working full time. In many cases, they were baby boomers following a long-held dream.
- Respondents don't want to work alone. They are happier sharing the risk (and the success) with someone else. Nearly three in four (72%) said they had set up their side hustle along with someone else, commonly a family member or partner (39%).

From side hustle to small business: What, why and how

What

76%

current business came from first side hustle



Why

54%

personal zeal

30%

fulfill dream of starting own business

24%

wanted to follow a passion



55%

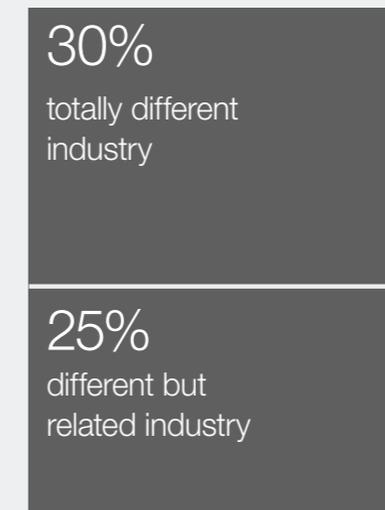
passion in a different industry

30%

totally different industry

25%

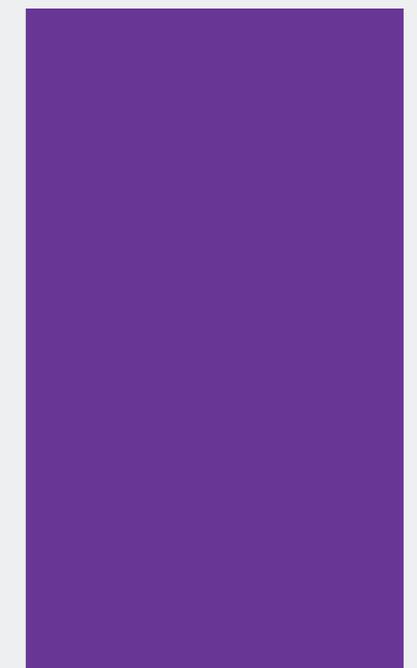
different but related industry



How

72%

set up side hustle with someone else



It Requires Hard Work and Commitment

No one said transitioning a side hustle to a full-time business would be easy. It takes hard work, sacrifice and unrelenting persistence to start one while you're working, and then turn it into a full-time business. Most people face a juggling act of time, money, and family obligations.

The average side hustle takes up to 20 hours a week of an entrepreneur's time. Because most (80%) don't work on their side hustle during work hours, that means they're putting in at least 60 hours a week total, including their full-time job. That doesn't leave much time for other things. Weekends are the most popular time for respondents to work on their side hustle, with 72% saying that's when they put in the time.

Half of survey respondents didn't tell their co-workers about their side hustle until they took the leap to pursue it full time.

These entrepreneurs don't seem to mind the work, and a successful side hustle can lead to more. Nearly half (49%) of respondents said they've started a new side hustle since turning their previous one into a full-time business.

In all, 56% of those surveyed said they had two or more side hustles during the course of their career.

A full-time job plus a side hustle is a juggling act

50%

had not told co-workers about their side hustle or their intentions to make it into a full-time job.



49%

have started a new side hustle since turning a previous one into a full-time business.



72%

of respondents worked their side hustle on weekends.



56%

have had two or more side hustles during the course of their career.



Making the Leap: Generating Enough Income

Whether it's the first day or two years in, there comes a point when the idea of turning the side hustle into a full-time business appears possible. That point is different for everyone, but entrepreneurs had a good idea of how much money they needed to leave their day job and enter the world of the self-employed.

The average amount that respondents said they needed to transition their side hustle to a full-time business was \$43,862.

Over half (54%) of respondents said they needed to earn more than \$30,000 from their side hustle before they would give up their day job, and one in six (16%) said they needed to bring in more than \$50,000. Millennials were willing to take the leap with less income: More than half of them (54%) said they would drop their day job for \$30,000 or less per year.

Once they made the transition to a full-time business, these entrepreneurs ran lean and mean. Three quarters paid themselves less than \$50,000 in salary in their first year, and 42% took a net salary of less than \$25,000.

On average, it took three years for entrepreneurs to earn as much income from their side-hustle-turned-small-business as they had from their last full-time employer.

\$43,862



was the average income needed to go from side hustle to small business.



54%

said they needed to earn more than \$30,000 to give up their day job.

16%

said the side hustle would have to earn more than **\$50,000**.

75%

paid themselves less than \$50,000 in their first year of operation as a small business.

42%

paid themselves less than **\$25,000**.

3 years

It took the average entrepreneur 3 years to earn as much from their small business as they had been making when they left full-time employment.

10 Tips to Turn Your Side Hustle into a Full-Time Business

Part of starting a business is learning as you go, but you can also learn from those who've done it. These tips can give you a head start on that learning curve.

1 Follow Your Passion

Building a side hustle into a full-time business takes an extraordinary amount of sacrifice and dedication. Successful entrepreneurs exhibit exceptional levels of enthusiasm and love for what they do, and this passion is what carries them through the inevitable difficult times.

2 Manage Personal Expenses

Plan ahead for the decrease in income that comes with the move from side hustle to full-time self-employment. Track your expenses to identify spending that can be eliminated or reduced, and create a budget to make sure you remain within your spending guidelines.

3 Build a Savings Pool

A leading cause of business failure is inadequate savings — individuals simply run out of money to pay personal and business bills, requiring them to find conventional employment. Be sure to have cash savings of at least six to twelve months of living expenses in savings — more if you think your business may take longer to get off the ground.

4 Be Disciplined

Businesses become successful by having a plan that spells out where you want to take the business in the next three to five years, and how you expect to get there. The old adage “Fail to Plan, Plan to Fail” applies here.

5 Improve Time Management Skills

Balancing a side hustle with a full-time job or wearing the multiple hats required of an entrepreneur means that you will need to manage your time efficiently. Consider the myriad of time management resources that may be relevant for you.

6 Rely on Advisors

Consider assembling an informal ‘Board of Directors’ of friends and professional acquaintances that can become an ongoing resource of advice and insight.

7 Take a Class

You’ll be responsible for a number of disciplines about which you may have little knowledge, but are key to your success, such as accounting, marketing, or branding. Research what local colleges or online courses may offer to improve your skill set.

8 Land a Core Client but be Cautious

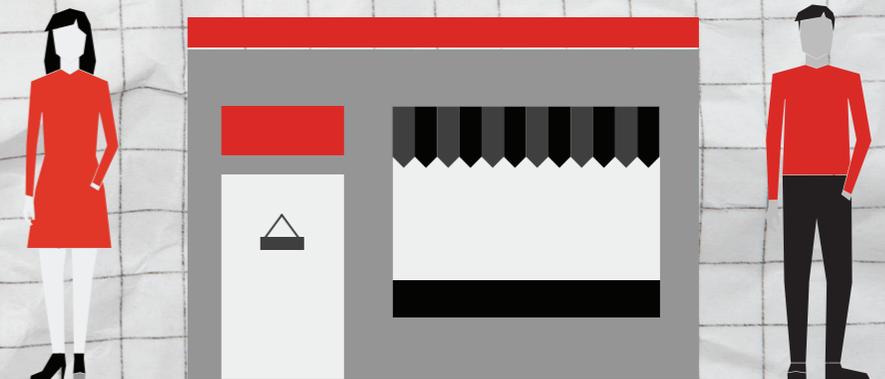
Having a core client can add a reassuring sense of stability to a business. But don’t rely too heavily on this one client so you’re not at risk of losing your business if this client isn’t long-lasting.

9 Build Your Brand

Creating a social media presence, receiving client reviews, and establishing a network of prospects and clients should not begin the day you transition to full-time self-employment. Lay the branding groundwork while in the side hustle phase so you can hit the ground running once you transition.

10 Manage Risks

Everything you build can evaporate in a moment if you do not properly manage the risks every business faces. Adequate and appropriate insurance coverage is critical to protecting your income stream and the value you’ve built up in your business.



Growing and Protecting What You've Built



3 out of 10

respondents did not have business insurance during their side hustle phase. Just because a business isn't full time doesn't mean you're not at risk.

Whether you're operating a side hustle or a small business, it's important to protect against risk. There are some risks you can see coming, and make adjustments to avoid. But others, like claims and lawsuits by customers, vendors or employees, can catch you off guard. Every business faces these risks, but they can be mitigated by the right insurance coverage.

Thirty-one percent of respondents did not have business insurance when they were running their company as a side hustle. By the time the business became full time, that number was down, but only slightly, to 26%. Eighteen percent said they planned to purchase business insurance, with just 8% of the total saying they had no plans to insure their company.

The reasons for not insuring their side hustle were varied: 47% said they didn't think insurance was necessary, while 46% felt it was too expensive. One in five said they didn't know what kind to buy, so they didn't buy anything. Just 5% said they couldn't qualify for coverage.

Businesses of every size need protection from claims and lawsuits, but business insurance doesn't need to be complicated. Here's what entrepreneurs need to protect the business they've worked so hard to build:

- General liability insurance to protect against third-party claims of bodily injury, property damage, and personal injury like libel and slander
- Professional liability insurance to cover claims of negligence
- Cyber insurance for the costs associated with a data breach or hack
- Workers compensation insurance if you have employees.

Hiscox provides tailored insurance for small businesses.

Visit www.hiscox.com for more information.

Survey Methodology

The Hiscox survey was conducted by Wakefield Research among 400 US small business owners who first started their business as a side hustle, meaning while employed full time at another company or business. The survey was conducted between December 13 and December 21, 2018 using an email invitation and an online survey.

Results of any sample are subject to sampling variation. The magnitude of the variation is measurable and is affected by the number of interviews and the level of the percentages expressing the results. For the interviews conducted in this particular study, the chances are 95 in 100 that a survey results does not vary, plus or minus, by more than 4.9 percentage points from the result that would be obtained if interviews had been conducted with all persons in the universe represented by the sample.

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