July 26, 2018

THE FINANCIAL SOLUTIONS RISK-AVERSE MILLENNIALS ARE ACTUALLY SIGNING UP FOR

FINTECH COMPANIES ARE CLAMORING TO GET MILLENNIALS TO INVEST BUT THE GENERATION THAT LIVED THROUGH THE RECESSION IS WARY TO FORK OVER THEIR HARD-EARNED CASH. WE LEARNED HOW ACORNS IS GETTING CREATIVE TO WIN THEIR TRUST…

Millennials may be prioritizing saving for retirement, but they're playing it too safe. Many are choosing to stash their cash in a savings account—Ypulse data shows that while 79% of 18-35-year-olds have a savings account, only 39% have any financial investments. However, some fintech solutions have cracked the code on how to attract the notoriously risk-averse and financially insecure generation.

Acorns was one the earliest apps to take investing mobile, making it easy for Millennials to take on microinvesting (investing in "low-maintenance, index fund-based allocation strategies with small, frequent contributions"). Their app has provided a fairly safe way for young consumers to dip their toes into investing without having to spend too much. We called out Acorns back in 2014, and the app has continued to innovate to stay relevant amid the increasingly competitive fintech landscape. The fintech solution's main way of helping young consumers invest is by hooking up with users' credit or debit cards and rounding every purchase they make to the nearest dollar, investing the "pocket change" that makes up the difference. That offering has helped them break away from the pack of fintech apps; they manage over $1 billion in user investments as of this month. That's a lot of pocket change.

Acorn's newest offering is Spend, a debit card. So why is a digital-first brand releasing a physical debit card? One analyst explained to *Fortune* that "As more [M]illennials move away from credit cards, fintech companies are further incentivizing debit use." Debt-saddled Millennials are less likely to pick up a credit card lest they dig themselves deeper in the hole. It seems Acorns has correctly assessed the appeal of the debit: Spend has over 175,000 pre-orders, 100,000 of which were placed in the first four days of the card's launch, according to Yahoo. In addition, they have a financial education publication (Grow) and a retirement offering (Later).

We spoke to Noah Kerner, the CEO of Acorns, to learn more about what they're doing to keep up with young consumers, ask for insights into the financial industry and fintech space from an expert, and see what Acorns has planned next:

Ypulse: Who is the core demo that uses Acorns?

Noah Kerner: Acorns is built for the up-and-coming—anyone striving to grow their wealth. The majority of our customers have under $100,000 in household income, and while many are in their twenties and thirties, we have customers from 18-98.

YP: We read that Acorns' savings plan is intentionally not called a "retirement" plan. Can you tell us more about that?

NK: We're hoping to retire the word, "retire." It used to be something people worked toward and dreamed about, but for a lot of people, it's come to stand for something else. A lot of people love what they do and don't want to think about retirement. Others don't think they'll be able to retire. So instead, save and invest for a better life later—whatever that looks like for you.

Acorns' Later [plan] lets you set up an IRA in under 60 seconds. We recommend the right plan and you can automatically invest as little as $5 into your tax-advantaged retirement account. In just one month, we opened more than 125,000 Acorns Later accounts, and we hope this serves the 50% of Americans who don't have anything saved for retirement.

YP: What sets Acorns apart from traditional banks and other financial upstarts?

NK: We are building a financial wellness system to help everyday Americans save and invest every day. Every tool, product, and feature is designed to work within and enhance that system, so that it's even easier for our customers to grow in the background of life.
Why do you think many Millennials prefer to use debit cards instead of credit cards? This generation lived through a financial crisis and is dealing with unconscionably high student debt. A debit card offers more control and less risk.

YP: Can you discuss Millennials' relationship with debt and how it affects their investing?

NK: We conduct an annual survey to learn more about people's relationship to money—The Acorns Money Matters Report. The #1 reason people don't invest is debt. That tells us we're collectively doing something wrong. As a society, we're not adequately educating people about money and debt. We're allowing up-and-comers to slip into debt and it's preventing them from investing in their futures.

This is why we're building a financial wellness system that helps people save and invest every day. With Acorns, people can invest spare change and extra cash. They can spend smarter. They can earn investments when they shop. We hope our system helps people get and stay out of debt so that they can invest in a better future.

YP: How do you build trust among young consumers?

NK: You'd have to ask our customers what earns their trust, but "Always build trust" is one of our core values. That and our mission to look after the financial best interests of the up-and-coming are at the root of everything we do. It's why we found a way to offer flat, predictable pricing. No percentages, no overdraft fees, no minimum balance fees. No surprise fees—just surprise upgrades. It's why we say no to opportunities that could make us more profitable faster. It's why our system shows no favoritism to investors with higher balances. We stand for something bigger and longer-lasting than fast money and we hope our customers benefit from that and stick with us.

YP: What is the purpose and intended audience of Grow, your finance education resource?

NK: Our mission is to look after the financial best interests of the up-and-coming, so we build tools and products that create a system to achieve that. To help people grow their financial knowledge and confidence, one of those key products is Grow, our digital money magazine. Accessible in-app and online, Grow features original content, from expert advice and first-person stories to real-time responses to major market movements. Since its inception in 2016, Grow has seen nearly 10 million visits on-site and in-app, and Grow content has been shared more than 123,000 times.

YP: Do you have any predictions about the future of fintech?

NK: We're hopeful that every industry puts the best interests of the customer first. Imagine what a future that would be.

Noah Kerner | CEO, Acorns

Born in New York City's East Village, Noah Kerner got involved with Acorns two months after launch as an adviser, investor, board director, and then CEO. His background is colorful: three-time entrepreneur, co-author of *Chasing Cool* with the former CEO of Barneys, and former DJ for Jennifer Lopez...all before 30. Noah built the leading Millennial creative agency, Noise. Before being acquired by Engine, Noise developed hundreds of products and marketing campaigns for this generation including Facebook's first application, the first credit card to reward responsibility rather than spending for Chase, Vice's music site Noisey, and the top branded game in the App Store. Noah was featured as a "Top 30 Under 30" in *Billboard Magazine*, a *Fast Company* "Innovation Agent," and one of *Adweek's* "Top 20 under 40." He also advises and invests in a variety of fast-growing startups, including WeWork, where he served as the first Chief Strategy & Marketing Officer. Passionate about educating today's youth, Noah has lectured on entrepreneurialism and media at NYU, UCLA, Stanford, and Columbia and currently serves on the Board of VH1's Save The Music Foundation. Noah is a graduate of Cornell University where he studied Psychology and Economics.

This interview has been edited and condensed.