Jennifer Barrett of Acorns with 5 Facts about Fintech

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Investing is typically thought of as being difficult, requiring large sums of money and a time consuming and complicated process. California-based micro investing startup Acorns is challenging this thinking. It says investing can be made accessible, simple and easy.

The Acorns micro investing app encourages users to invest their spare change using a system the team calls "round-ups." Acorns monitors your bank account and automatically invests the change from your daily purchases. For example, if you buy something for say $2.35, Acorns will round it up to $3.00 and automatically invest 65¢.

Founded in 2014, Acorns has more than 4.4 million customers. Jennifer Barrett, the firm's chief education officer, believes the rapid growth is because "the concept is simple, and yet compelling." She explains that Acorns founder Jeff Cruttenden got into the business because he wondered why there were so many barriers to investing (like the sheer cost of getting started) when it is so good for our long-term financial well-being. "Jeff came up with this idea of rounding up your purchases and just investing the change," says Barrett. "The idea behind it was that you're already spending. If we can attach it to something that you're already doing, and we can lower the risk thresholds, we can get a lot more people investing. And then, once they're in, we slowly nudge them to save and invest more."

Here, Barrett addresses managing your money in the new landscape of financial technology in which Acorns operates, otherwise known as fintech.

Yes, There's an App for That. "There's a proliferation of fintech companies and there's an app for almost any kind of financial service right now. Young people are used to having devices that help them, distract them, entertain them — but also collect information about them and help them make good choices. My younger son just turned eight. He has a [fitness device], and he looks at the steps he has taken every day. He has a goal that he's supposed to hit and there's a little celebratory chiming whenever he hits his goal. A lot of kids in his class have these kinds of devices. So a model like this — where technology and apps on your phone or a mobile device are helping to drive healthy behavior — can help connect with kids. Acorns is only one of many that do the same thing for your money. These apps fit easily into your life. You are already on your phone and you don't have to go out of your way to set it up."

Financial Education Required. "We're going to be more and more responsible for our own finances. There are no pensions anymore. A lot of people can't even depend on a 401(k). Social Security is shrinking. All these things are happening, but we're not educating people on how to manage their money. I think it's [only] 17 states that require personal finance to be part of their high school curriculum. That's terrifying."

Cash vs. Screen. "There have been lots of studies about the difference [in spending] when you use a credit card versus cash — that there is a visceral emotion attached to parting with your cash. I tried it out personally. When I was getting my finances together, I used only cash for a month just to see how it would change the way I spend. It's incredible. It really does [change your spending behavior] because you become so much more mindful about how you're spending. The challenge now is: how do you become mindful about your spending when you're not physically feeling that money and peeling the bills out of your wallet? With Acorns, as soon as you've spent money on your debit card, you get a notification. This is for two reasons. One, we want you to be mindful about what you're spending. Two, if someone steals your card, you will see on your phone immediately if they try to use it, and you can lock it remotely. But a big part is showing people their transactions immediately. It's about connecting them as much as we can with what they're doing with their money and where their money is going."

With Investing, Comes Risk. “I was talking to a financial advisor about how to determine a client’s risk tolerance. He said he takes a stack of bills, and then he takes half of them and puts them away, and asks the client, ‘How are you feeling right now?’ And then he tells them: ‘Well, that’s what it’s going to feel like sometimes. The market will go down by 50%. Then it comes back. But you have to be in touch with whatever that feeling is inside you when you see that number drop and know whether you can ride that out or not.’ We have to find digital proxies that can have the same impact. If you don’t have experience in investing, and particularly because [the younger generation] has only known a bull market, every time the market drops, it’s terrifying for them. So a big part of our education is showing them the history of the stock markets and explaining the risks and the returns.”

Am I Really the Investor-type? “A lot of people who come to us have very little knowledge of investing. When people ask me about investing, I tell them, it is not that complicated. You don’t need to be tracking all of these stocks and staying on top of things every day. It’s about putting your money in regularly in a lot of different funds and letting it grow. Managing your money is not hard. It comes down to some super-basic concepts, like reinforcing the idea that you should always live on 20% less than you earn. If that was the one message we could teach the next generation, we would solve the retirement crisis.”