Business Standard Article Storyline

Wealth / investment management is a big opportunity globally…..

Global private wealth is projected to post a compound annual growth rate (CAGR) of 4.8% over the next five years to reach $171.2 trillion by the end of 2017. The Asia-Pacific region (excluding Japan)—and especially its new wealth—will account for the bulk of this increase in global wealth through 2017 (reference: BCG Report). Assets owned by mass affluent (people having investable assets between US$ 100K to US$ 1 Million) is projected to increase from $59 Trillion in 2012 to over $100 Trillion in 2020, one of the fastest segment of population in wealth increase, and a largely underserved by wealth management industry as of now. The global middle class (investable assets between US$ 10K to US$ 100K) is projected to grow by 180% between 2010 and 2040, with Asia replacing Europe as home to the highest proportion of middle classes, as early as 2015. This further adds to a huge underserved market for wealth management. (Reference: PwC Report)

This calls for hundreds of billions of dollars in revenue for the currently underserved and growing customer base for Wealth Management. Moreover, this generation is mostly digital and is always connected and mobile. Traditional players (banks, brokers and advisors) have a long way to catch up with this divide and are nowhere close to offering a seamless, personalized, "on the go" wealth management advice. This has resulted in disruption through innovative startups and even bigger players hoping to catch a big pie of this trillion dollar industry.

Wealth Management Disruption – Already taking hold and here to stay….

Various startups backed by some big investors like Goldman Sachs, JP Morgan, Sequoia Capital, Index Ventures and having financial biggies like Arthur Levitt Jr. (former chairman of the Securities and Exchange Commission), Sally Krawcheck (former president of BoA's Global Wealth and Investment Management group) and Dr. Burton (former dean of Yale School of Management) on their boards have innovated around a few models. The most famous of these disruptive startups are:

1. **Wealthfront** – Silicon Valley based automated investment advice based on risk profile, with a low fee of up to 25 bps. They recently crossed $ 1 Billion in AUM and have raised over $65 Million (reference TechCrunch: http://techcrunch.com/2014/04/02/automated-investment-service-wealthfront-raises-35m-from-index-ribbit-capital/)
2. **Motif Investing** – This biggie startup, which has already raised over $ 121 Million from strategic investors like Goldman Sachs is disrupting the likes of Blackrock. The online brokerage allows investors to build stock and bond portfolios based on everyday ideas and broad economic trends—and share those ideas with friends. They were ranked the 4th most disruptive startup in 2014 by CNBC (reference TechCrunch: http://techcrunch.com/2013/04/12/motif-investing-gets-25m-series-c-goldman-sachs/)
3. **Personal Capital –** Backed by Blackrock and with a funding of above $ 54 Million, it provides a full financial service online with a host of its own wealth managers, taking on Fidelity and Schwab in the large market of individually managed investable assets – a $32 trillion dollar market in the United States. (reference TechCrunch: http://techcrunch.com/2013/06/05/personal-capital-closes-25-million-in-series-c-funding-for-online-wealth-management-platform/)
4. **Nutmeg –**UK based startup funded by Balderton Capital and offering investment management for the masses. Nutmeg offers portfolio management services to anyone with as little as £1,000 to invest. It now has over 35,000 registered users and claims its customer acquisition in Q1 was 350% up on last year and is already in the top 25 of wealth managers in the UK (reference TechCrunch: http://techcrunch.com/2014/06/25/nutmeg-raises-another-32m-to-disrupt-wealth-management-startup/)
5. **E-Toro –** A European startup with a very big social angle and believing in crowds wisdom and mirror trading. It is an investment network that uses real-time features to let users follow and trade based on other users' activities. They already have over 2 million users (reference TechCrunch: http://techcrunch.com/2012/03/13/social-investment-network-etoro-is-picking-up-another-15-million-from-spark-others/)

Below is a more detailed list of startups which have been funded in this domain globally:

Company	URL	Description	Funding Reported in U	Private Investors
Wealthfront	wealthfront.com	Wealthfront, based in Palo Alto, California, provides investment management through financial expertise and leading edge technology.	65.5 Million	SK Ventures; Greylock Partners; DAG Ventures; Index Ventures; Ribbit Capital
Betterment	betterment.com	Betterment is a goal-based online investment company, delivering personalized financial advice paired with low fees and customer experience.	45 Million	Menlo Ventures; Bessemer Venture Partners; Anthemis Group; Citi Ventures; Northwestern Mutual; Globespan Capital Partners
Motif Investing	motifinvesting.com	We are a different kind of online broker. We let you invest in motifs intelligently weighted baskets of stocks based on ideas.	121 Million	Goldman Sachs; Norwest Venture Partners; Ignition Partners; Foundation Capital; Balderton Capital; Wicklow Capital; JPMorgan Chase & Co
Nutmeg	nutmeg.com	Nutmeg is an online investment management and intelligent savings company that builds and manages investment portfolios for companies.	37 Million	Balderton Capital; Schroders; Pentech Ventures
Ayondo	ayondo.com	Follow Your Top Trader	NA	Next Generation Finance Invest; Falk Strascheg Holding
eToro	etoro.com	eToro is a social trading and investment marketplace allowing users to trade currencies, commodities, indices and stocks.	33.9 Million	BRM Capital; Spark Capital; Cubit Investments; Venture51; Social Leverage
InvestLab	investlab.com	InvestLab is an on-demand financial services technology company serving the global investment market.	10 Million	VantagePoint Capital Partners; Citi Ventures
SigFig	sigfig.com	SigFig provides data-driven investment advice and real-time view of users' investments, across all their accounts.	15 Million	Union Square Ventures; Bain Capital Ventures; DCM
ZuluTrade	zulutrade.com	ZuluTrade is a forex auto-trading social community that monitors and rates the performance of third party trading masterminds.	NA	
FutureAdvisor	futureadvisor.com	FutureAdvisor is a registered investment advisory firm that manages a user's existing IRA, 401(k), and other investment accounts.	NA	Y Combinator; Sequoia Capital; Canvas Venture Fund
Personal Capital	personalcapital.com	Personal Capital provides investment management and personal financial services.	54.3 Million	Crosslink Capital; BlackRock; Institutional Venture Partners; Venrock

Asia and India – A virgin market and the next frontier for funding

The Middle Class (investible assets of $10K to $100K) and Mass Affluent in Asia (investible assets of $100K to $1 Mn) currently comprise a market of over 560 Mn people, which is set to grow to over 1.75 Billion by 2020. With wealth creation and savings rate in these segments growing, there is an increasing need for simple, trust-worthy investment options, which can be easily executed on. However, most mainstream investment advisory, wealth management solutions or trading providers cater only to sophisticated/ high network clientele or offer complicated/opaque products. “Private banking industry in Asia over the last 15 years has been about selling over-priced products with big margins and limited transparency. As a result of this approach, bankers across the industry have generally not been able to cultivate the skills to sell real wealth management. Coupled with this, a lot of clients don’t trust the banks” (reference: Hubbis Report).

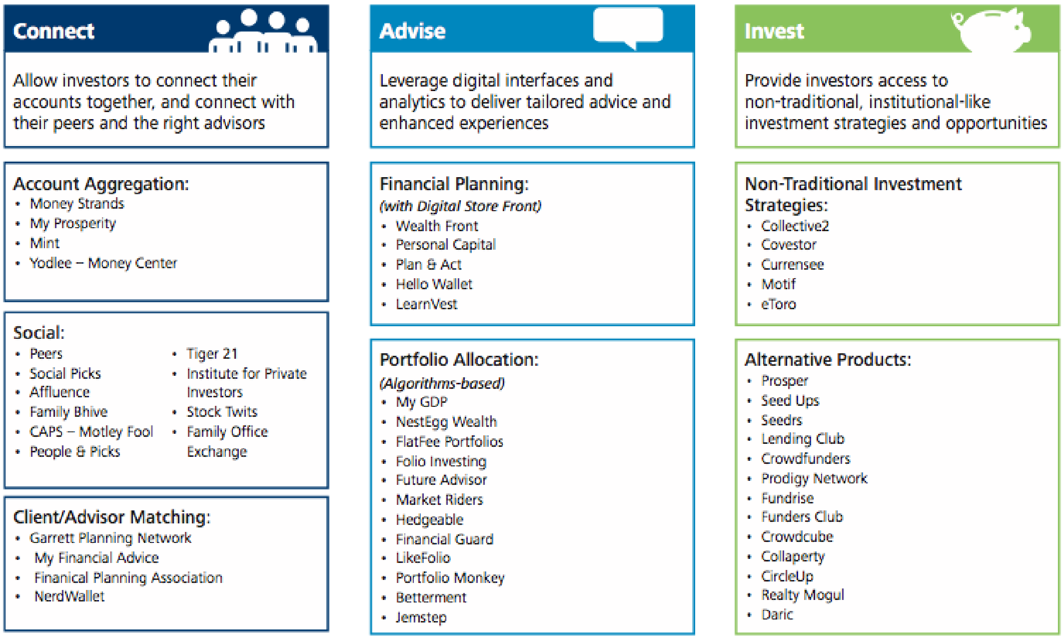
Closer home, total individual wealth in India was ~ $ 3.4 Trillion in 2013 out of which $ 1.9 Trillion was in financial assets. However, while cash and savings deposits comprise 25% of financial assets, MFs comprise only 3% and FDs/Bonds comprise 23% and Direct Equity comprises 22%. Hence the potential for wealth management advisory solution is huge but untapped as of today (reference: Karvy India Wealth Report 2013). Consequently, we anticipate wealth management disruption by startups to percolate down to India and Asia as well.

Early movers in this are already making inroads, however competition is still very limited. And VC funds are actively focusing on these select high quality opportunities in Asia. One such startup is TradeHero based out of Singapore which lets people play stock markets using gamification models. TradeHero raised $10 Million in 2013 from KPCB and IPV Capital. Another interesting startup which is seeking to change wealth management advice and investments distribution in India is InvestEaze set up by Delhi based company Info Assembly Pvt. Ltd.. Started by three IITians (2 are from IIT Delhi and one from IIT Roorkee), InvestEaze leverages a proprietary platform to provide online, simple to use, goal-based investment choices that are socially proofed by a network. The founders who have over 20 years of trading, capital raising and investing experience across the US and Asia at PIMCO, O3 Capital and McKinsey have leveraged their personal experience onto combining innovative financial models and product curation into a social platform. The founders call it “the Facebook of Investments”. Their unique launch page at http://investeaze.com/ received nearly 700 signups within one week of launching. Already funded by ARK in the US and one of the showcases at the upcoming Techcircle

Conference in New Delhi, InvestEaze aspires to be a pioneer in enabling disruption within the financial space in Asia just like Wealthfront and Motif in the US. It remains to be seen whether they can succeed.

Select Backup Articles Attached Below

Figure 2: WM Digital Disruption Framework



Reference: [Deloitte Report]

January 28, 2013 8:31 pm

The future of wealth management services

By Srini Venkateswaran and Kunal Vaed

Wealth managers are under pressure to rev up their profits. Over the past several years revenues have been sluggish, margins tighter, and costs - particularly those involving regulatory compliance - higher.

At the same time, clients are demanding more from their wealth managers, their expectations fed by the technology-enhanced customer experience they have grown accustomed to receiving from innovative organisations such as Amazon and Apple.

To succeed in the decade ahead, established wealth management companies will need to leverage technology in much the same way that their cutting-edge counterparts have in other industries.

This means embracing a digital approach to doing business that is online, mobile, social, real-time, and 24/7. Getting there will mean rethinking just about everything, from how they interact with clients to how they conduct business in the back office. And they must embrace digitisation in ways that complement the expertise of financial advisors and private bankers, especially for the ultra-rich.

What will this digitised wealth management firm look like? Four overarching imperatives stand out.

First, it will be hyper-connected and provide high-speed access to portfolio information through mobile channels. It will also be context aware, using big data analytics to deliver personalised advice to clients. Third, it will be collaborative, offering clients social platforms to engage with other clients and advisors. And, finally, it will be untethered, using cloud computing to reduce infrastructure costs. Let's look at a few concrete examples.

Improving client acquisition

Most wealth management firms rely on using advisors as their largest channel for sourcing new clients. However, digital technologies offer other new avenues for finding valuable customers.

Potential clients searching for direction in a post-crisis world awash in social media are increasingly inclined to lean on the collective thinking of their peers - whether they are choosing a wealth advisor or buying into a mutual fund. Forward-thinking wealth managers are starting to leverage this insight.

Ameriprise is offering prospective clients the ability to search for new advisors on its website, and find out if anyone in the clients' LinkedIn network knows these advisors; Morgan Stanley enables its advisors to engage with prospective clients on LinkedIn by sharing research.

These offerings allow prospective clients to draw on the wisdom of their peers, and they also establish a heightened level of credibility for the firms that create these opportunities.

Rethinking advice

We have already seen some investment advice being digitised, with wealth managers offering retirement calculators and basic financial planning tools to clients online. However, usage rates remain low due to the tools' non-intuitive design, their lack of a clear call to action, and the limitations that most wealth managers impose on them.

For example, many wealth management firms offer digitised advice only on their own products and services. Contrast that with the transparent advice model employed by Progressive in the auto insurance industry. It lets customers compare rates and features for the company's policies directly with those of its competitors.

Wealth managers who have products, services, and pricing capable of withstanding that sort of scrutiny - and who would be willing to make it easy for clients to undertake that level of scrutiny - could change the equilibrium of their industry by allowing and fostering it.

Digital technologies have already started to demystify the art of financial advice, by offering automated advice bundles based on a quick assessment of the investment objectives of clients. Startups like WealthFront and Personal Capital, as well as established companies like Schwab, are increasingly offering tailored advisory services for a fee. In the meantime, wealth managers also need to make their electronic advice services quicker, simpler, and less demanding of clients.

One new player company in that direction is SigFig, an independent Web-based service that links to users' financial accounts and then automatically alerts users to underperforming investments and hidden or exorbitant costs in their portfolios. An example of its focus on efficiency? The time required to complete the online "tour" SigFig uses to introduce potential users to its service: 30 seconds.

Enhancing client experience

The tablet channel is going to be one of the most important ways of reaching the affluent client and building connectivity between the advisor and client. Most wealth management firms are just scratching the surface with today's tablet applications, which enable clients to manage their portfolios, review reports, and enter trade orders while on the go.

The next generation of tablet-based applications will be highly collaborative, offering lifelike interactions with financial advisors and specialists through video and holography, interactive financial planning applications, rapid account opening processes, and secure exchanges through biometric electronic signatures.

Bettering the back office

For all the potential benefits of digitising the customer interface, that is not actually where wealth management firms will realise the greatest value from digitisation. That will happen in the back office, where technology can be leveraged to improve workflow and minimise manual operations in areas such as account opening, trade execution and settlement, and compliance.

Many wealth management firms remain surprisingly behind the curve in these areas. For proof, just visit the back office of a major mutual-fund company and see how many people are involved in setting net asset values for their funds at the close of each trading day.

Savings achieved in back-office operations can help to fund the enhancements firms want and need to offer to customers in the front end of their operations. Back-office improvements can also help wealth managers achieve front-end objectives directly, in areas such as client acquisition, by facilitating streamlined processes and procedures.

Right now, it can take just 30 minutes to open an account at a discount brokerage firm. At a traditional wirehouse, escorting a new client from initial interaction to completion of the process might take 30 days.

No one is suggesting that the trusted, experienced, individual advisor who has long been the key to client relationships is going to disappear, or that he or she should. Many clients still value the opportunity to meet face-to-face with an advisor when they feel it is appropriate.

Still, the individual advisor alone is no longer enough. Clients today want access to information when, where, and how it makes sense for them, whether in an annual meeting with their advisor, in a quick check of their portfolio on a tablet computer, via an actionable alert sent to their smartphone, or in online discussions with their peers.

Wealth management firms that can deliver this entire spectrum of experiences will be best positioned to prosper in the decade ahead.

Srini Venkateswaran is a partner and Kunal Vaed is a principal in Booz & Company's financial services practice.

Automated Investment Service Wealthfront Raises $35M From Index, Ribbit Capital

Posted Apr 2, 2014 by Leena Rao (@leenarao)

Financial services as an industry is a sector that is rapidly being disrupted from all directions. One of the startups helping to lead the pack is Wealthfront, an automated investment firm that serves as an alternative to traditional financial advisory services like Fidelity. Today, the company is announcing $35 million in new funding led by Index Ventures and Ribbit Capital with existing investors The Social+Capital Partnership, Greylock Partners and DAG Ventures participating, we've learned exclusively. Also joining this round are Marissa Mayer, Kevin Rose, Paul Kedrosky, Mark and Ali Pincus, Alison Rosenthal and Tim Ferris. This brings the company's total funding to $65 million.

The brainchild of former Benchmark Capital founder Andy Rachleff, Wealthfront launched in 2011 to give anyone access to the type of financial planning that would normally only be available in private wealth management shops of Goldman and others. Rachleff brought on former LinkedIn product VP Adam Nash as COO in 2012, and handed over the CEO reins to Nash earlier this year.

million in

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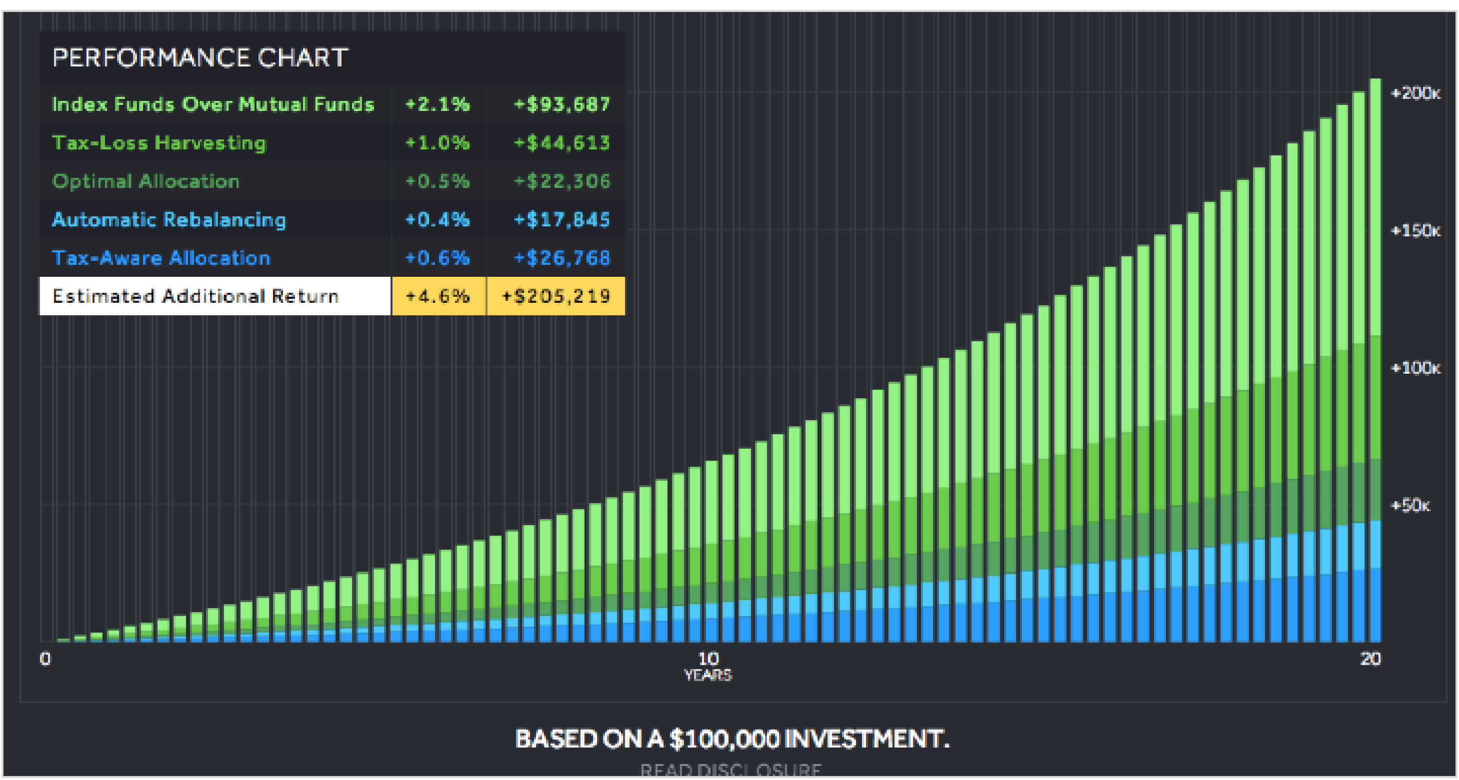
ok Wealthfront

almost a year to reach $67 million in assets under management, and in the first quarter alone, the company added over $250 million in assets managed.

For background, Wealthfront goes beyond just automating investing — the company's fees are set up to undermine the models of incumbent investment services like Fidelity, Charles Schwab, and any other mutual fund investor or financial adviser. It also comes with features like tax-loss harvesting for any account worth at least $100,000. If you make a profit on parts of that account's portfolio, it'll reinvest it and avoid taxes on the gains by doing so.

The company says its clients vary in age between 19 and 93, with over 55 percent of users under age 35. The average Wealthfront client invests $80,000 to $100,000, but the minimum continues to be $5,000. Wealthfront now provides service to clients across all 50 states and Washington, D.C., with client accounts ranging in size from $5,000 to over $10 million. Additionally, Wealthfront is free for accounts under $10,000, and 20 percent of Wealthfront clients have a liquid net worth of less than $50,000. Over 16 percent of clients' liquid net worth is in excess of $1 million.



Unsurprisingly, the client base tends to be tech-heavy. The companies where Wealthfront has the most clients are, in order, Google, Facebook, LinkedIn, Microsoft, Twitter, Palantir, VMware, Apple, Intuit and Cisco. But what's interesting is that there are also many lawyers, financial professionals, teachers, doctors and even military that Wealthfront counts as clients.

Where is this growth coming from? Nash says that the company has done some advertising online but for the most part, growth has been word of mouth. (And it should be noted that the company brought on former Facebook, Twitter and Quora growth expert Andy Johns, as well). This steady growth is perhaps why investors, existing and new, are betting on the service to disrupt financial planning the way Charles Schwab did decades ago.

In fact, Nash draws a lot of comparisons to what Schwab did and what Wealthfront is doing. As he explains, Wealthfront is doing today for Millennials what Charles Schwab did for the Baby Boomers. Schwab launched in the 1970s and its early customer base consisted of people in their 30s with smaller accounts. Schwab now manages $2.2 trillion and its average client is in their 50s with over $200,000 invested with the service. Just as Schwab grew up with the Baby Boomer generation, Wealthfront wants to 'grow up' or scale with the Millennials and Gen Y, which represent more than 90 million people in the U.S.

Nash says that Millennials currently have a liquid net worth of $1 trillion and their estimated net worth is predicted to grow to $7 trillion by 2025, demonstrating a fairly large market to go after.

Wealthfront serves this generation better than others because many of these professionals like the idea of an automated service that they don't have to worry about. Features like tax-loss harvesting and general tax efficiency based on asset level save people time. "Our goal is to help make investing simple for people to do the right thing, and help make this automatic so they do the right thing for the long-term," Nash says.

Index actually led the company's previous round of funding in 2013, and as Index Ventures' partner Mike Volpi says, "We didn't have enough of something we thought was super exciting." Normally when all or most existing investors put money into a round, it could be perceived as a negative signal. Not the case here, says Volpi. "We wanted to own more of the company."

One of the things that Wealthfront has been able to do with relative ease is create trust among users, Volpi adds. “It takes a long time to establish trust, but once you create this, people don’t leave. Especially with finances, people want to sleep well at night and know their money is being managed well. That’s what Wealthfront represents, but with a modern twist,” he says.

Volpi actually knows this industry very well — his father worked in private wealth management for UBS. When Volpi told him about the idea with Wealthfront, his father’s response was that he was fortunate he retired early because he could easily see how Wealthfront could disrupt his business.

Another area where Wealthfront has been devoting time is in resources. The company has a blog that creates helpful content around subjects like your 401(k), post-IPO share strategies and more. In fact, Wealthfront has been working to personalize the experience more, especially on mobile, where the startup will serve your tailored content specific to your needs.

Personalization is at the forefront of the future product vision, and Nash says there will be more to come. Wealthfront is fairly lean with only 35 employees, so the company will be adding engineering and design talent in the coming year. Most importantly, Nash and his team are focusing on adding new users and delighting customers, which has been his goal from the start of 2014. And the product will continue to evolve based on customer needs and concerns, he adds.

It’s important to note that there are a number of competitors in the space who are looking to become the next-generation financial advisory platform of choice, including Betterment, Personal Capital, and SigFig. And taking on dinosaurs like private banks and even companies like Fidelity is ambitious to the say the least. But with trillions of dollars in assets at stake, there is room for many players in the online wealth management space. And as technology companies (with an eye for design) continue to disrupt traditional verticals like transportation, hospitality and health, financial services is going to have its own Ubers and Airbnbs of the world. Wealthfront could be that company.

Motif Gets $25M Series C Led By Goldman Sachs For Its Theme-Based Stock Investment Platform

Posted Apr 12, 2013 by Colleen Taylor (@loyalelectron)

Bitcoins may be getting a lot of buzz, but the market for products that deal with old fashioned dollars and cents is apparently still strong.

To wit: Motif Investing, the Silicon Valley startup headed up by Microsoft alum Hardeep Walia that lets people invest their money in themed groups of stocks called "motifs", has raised $25 million in a new round of funding led by Goldman Sachs.

This counts as a Series C round for Motif, bringing the total amount of money invested in the company to $51 million since it was founded in mid-2010. All of Motif's previous investors, including Ignition Partners, Norwest Venture Partners and Foundation Capital, also pitched into this new round. As part of the investment Darren Cohen, Goldman's managing director of principal strategic investments, is joining Motif's board as an observer.

In an interview this week, Walia told me that Motif's growth has been strong since it officially launched its platform to the public last summer. To date more than 7500 "motifs" have been created, which are investment indexes that let people invest in genres such as "Biotech Breakthrough" or "Housing Recovery" as opposed to buying individual stocks or putting complete trust in a mutual fund or ETF.

Motif, which Walia bills as a "Facebook meets eTrade meets Mint.com," does not collect management fees, which is another thing that sets it apart from traditional money management vehicles. It makes money by charging a flat $9.95 fee to make a motif (which can include up to 30 stocks) and in several other ways, such as collecting margins on investments and selling value-added services and products. In the months since launch, the platform has attracted a diverse user base ranging from “ultra high-net-worth individuals” who primarily appreciate that Motif does not charge management fees, to “newbie investors” who appreciate the site’s natural language approach, Walia says.

With the fresh Series C funds, Walia says that Motif will work on further developing its product for financial advisors, which will let professional consultants use Motif’s investment platform with their own clients. There are other new products in the works, as well, he says. Motif’s own staff, meanwhile, has grown to 40 full-time employees, and the funding will also be used to continue to add talent (with a special focus, not surprisingly, on engineering.)

When asked about strategic options — after all, Goldman Sachs doesn’t exactly invest in companies without an eye on getting a return — Walia said that he’s focused on building Motif as “a company that lasts and is independent, so that we can continue to disrupt this space.”

That said, Walia, whose resume includes time on the M&A team at Microsoft, did acknowledge that Motif could make sense as an acquisition target, especially for established entities that deal in ETFs, stock brokering, and financial services. “A lot of people have found what we do quite fascinating… we are very attractive to certain players.” For now, though, Motif certainly has the vision — and funding — necessary to continue to grow as a standalone entity, and it should continue to be one to watch at the intersection of finance and technology.

Nutmeg Raises Another $32M To Disrupt Wealth Management Startup

Posted Jun 25, 2014 by Mike Butcher (@mikebutcher)

Nutmeg, the UK-based online investment management startup, intends to disrupt the world of financial investing by making it affordable for the masses. But to do that it needs cash. Lots of cash. Today they've raised another $32 million, taking their total funds raised to $50m. To put that in perspective, WealthFront in the US has raised $65.5M, while Betterment has raised $45M to enter this market.

The investors in today's round include Carphone Warehouse founder Charles Dunstone (pictured, on left), asset management house Schroders, and top-tier European VC Balderton Capital. Existing investors include Draper Associates and Daniel Aegerter from Armada Investment Group also participated. The new funds will be spent on customer acquisition and product development. Tim Draper calls Nutmeg "among the very best" of "exciting new financial technology businesses."

Nutmeg offers portfolio management services to anyone with as little as £1,000 to invest. It now has over 35,000 registered users and claims its customer acquisition in Q1 was 350% up on last year and is already in the top 25 of wealth managers in the UK. In the UK this market is worth £500 billion, and while traditional investment managers pay 1.36 percent commission in fees, Nutmeg's charges start at 1 percent and go as low as 0.3 percent.

Founded by Nick Hungerford (pictured, on right) originally raised from Draper Associates after his Stanford MBA. He joined with co-founder William Todd, a former derivatives expert. Hungerford was previously an investment manager at Brewin Dolphin.

In 2012 Nutmeg raised $5.3 million from Pentech, Draper, Spotify board member Klaus Hommels and Armada Investment Group chairman Daniel Aegerter.

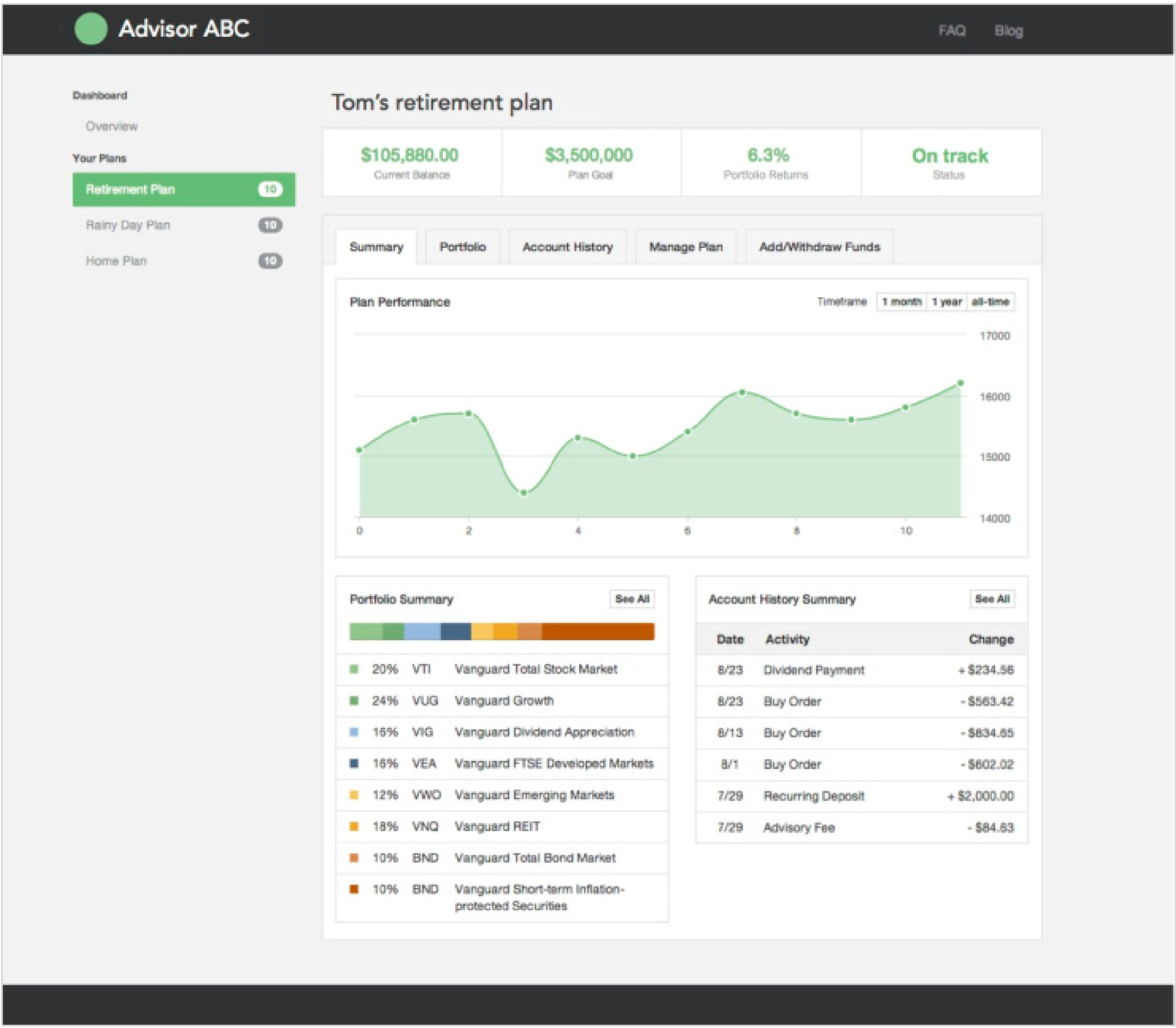
Hungerford told me the big capital raise was necessary to bring 'Amazon-like' levels of customer service to an industry where customers are routinely charged huge fees for "visiting a plus office once a year."

Competitors in Europe are thin on the ground and we are only aware of Vaamo in this area.

Schroders executive chairman Massimo Tosato will take a seat on Nutmeg's board.

Upside Raises $1.1M To Help Investment Advisers Compete Against Wealthfront, Betterment And Co.

Posted Jul 14, 2014 by Frederic Lardinois (@fredericl)



In the world of personal finance, robo-advisers like Betterment, Wealthfront and FutureAdvisor are all the rage now. They invest your money in low-fee index funds for you and reshuffle your portfolio as necessary. That's a problem for the 10,000 or so investment advisers in the U.S. that are registered with the SEC, however. Younger investors may not go to them, but use a web-based service instead.

Upside, which today announced that it has raised a $1.1 million funding round led by Cultivation Capital, give these advisers a white label solution that's very similar to what other robo-advisers offer. Prior to this round, the company participated in the St. Louis-based financial tech-focused SixThirty accelerator. Other investors in this round include SixThirty and a number of angel investors, including Suranga Chandratillake (General Partner at Balderton Capital), Elaine Wherry (co-founder at Meebo, acquired by Google), Bruno Bowden (Equity Partner at Data Collective), Noah Tutak (former CEO of Geni and co-founder & CEO of Swim), and Sean Kell (CEO of A Place For Mom, a Warburg Pincus company).

The service was founded by Tom Kimberly, who has background in retail financial services and M&A, and Juney Ham, the former director of online marketing for Airbnb. As they told me last week, they started the service in 2013 with the idea to compete with Betterment and Wealthfront. What they realized, however, was that customer acquisition was very costly. Indeed, Kimberly argued that it would take many of these services between three and four years to break even on a new customer. None of these competitors, however, were going after the existing base of investment advisers who already service a huge number of clients and who are already aware of the threat these services pose to their future business. These advisers have millions of clients and manage billions of dollars in assets already. They also know that younger client my bypass them completely.

"It's pretty clear that from a generational perspective that younger clients are systematically underserved in the market today," Kimberly told me. "There is a huge amount of people and assets that are underserved by the status quo."

Kimberly told me that when they started talking to advisers, it became clear that there was a huge market for a Wealthfront-like service for advisers. Most advisers set certain lower limits for their clients (often a million or half a million dollars), but at the same time, they don't want to turn away business, either, and somebody who only has a quarter million to invest today may have half a million in a few years.

Just like in most businesses, advisers make eighty percent of the revenue comes from the top twenty percent of customers, so by being able to help their relatively low-value clients manage their assets through Upside's white-label solution, they get to improve their margins for this group of clients.

Upside's default investment strategy is similar to that of other robo-advisory services in that it mostly focuses on low-fee index funds and bond ETFs that are allocated according to a client's age, expected retirement age and willingness to take financial risks. Advisers can also tweak these strategies, though, and use their own model portfolios. Advisers get a white-labeled portal for their clients and can then be as hands-on or hands-off as they want to be. Upside takes a 0.25% fee for its services and advises its partners to charge less than a 1% fee for their services in total.

Looking ahead, Kimberly and Ham tell me, the company plans to invest its current funding to expand the company's mostly engineering-focused staff of eight with a larger sales and marketing group that can help it fuel its growth and reach more advisers quickly. The company, of course, will also use these funds to continue to evolve its current product. One thing they co-founders to not expect, however, is to go back into the direct-to-consumer space. "We don't want to compete with advisers — we want to partner with them," Kimberly said.

Upside got some early validation for its service recently, too. Shareholders Service Group, a broker/dealer basin in San Diego that provides brokerage services to over 1,200 advisers across the U.S. recently partnered with the company and the company has been talking to some of the major online trading service, too.

Singapore App Maker MyHero Raises $10M Series A For Its Stock Market Trading Gamification App, TradeHero

Posted Sep 26, 2013 by Natasha Lomas (@riptari)

An app that lets people play the stock market without the risk of losing any real money has turned its virtual cash game into a pile of actual Benjamins, by closing out a $10 million funding round — one of the largest Series A rounds for a consumer startup in the region, it claims.

The app in question, TradeHero, is made by a Singapore-based developer MyHero. Investors in the round are Kleiner Perkins Caufield Byers China fund (KPCB China) and IPV Capital.

TradeHero users start out with $100,000 in virtual cash to spend, choosing which and how much stock to 'buy' — there are no live trades going on here, it's a simulation — and getting to see whether their trading decisions would have panned out IRL because the app follows actual market movements.

Dinesh Bhatia, CEO and Founder of MyHero Ltd, the holding company for the TradeHero iOS app, describes it a "financial literacy tool" that uses gamification to engage users and help them learn how to