

EPISODE 228

[INTRODUCTION]

[00:00:31]

FT: Welcome back to So Money everyone. I'm your host Farnoosh Torabi. Attention So Money Singletons! This episode's for you. If you're seeking love and you like technology, well our guest today is marrying the two with his new dating app called "Hinge" - you might have heard of it. And I have to be honest, I'm really behind in the times when it comes to match making apps. When I was dating, years ago, there was I think Match.com and this thing called Lavalife - I don't think it's around anymore. And it was still weird to say you met your boyfriend or you wife online. It was not kosher. People would make up all sorts of lies and say, "Oh well we met at Barnes & Noble," or, "We met at a dinner party!" When really, really you met at 2 AM, online, in your pajamas, courtesy of Match.com, let's be honest.

Now the online dating industry is an estimated \$2 billion market, which popular match-making apps from Tinder to Coffee Meets Bagels, Bumble, the League - I had to research all those names. I didn't know those off the top of my head. And there's a relatively new player in the field, called Hinge. And our guest today is the founder and CEO of Hinge. His name is Justin McLeod. Hinge is a relationship app that helps people meet through friends. Unlike apps that show you random people in your area, Hinge only shows you people in your social circles. Basically I think of Hinge as a good friend who's trying to set you up with all their single friends and over time they start to prioritize the matches based on your preferences and tastes.

Justin is a graduate of Colgate University, he took a job in Management Consulting first and then went on to attend Harvard for Business School. He always has had a real passion for connecting people and he decided to follow it years later when he founded Hinge in February of 2011. Shortly thereafter in February of 2013, the app launched officially, and the rest is history. And you've gotta listen to how he started the company; it started because of a girl, as all tech-fairytale stories begin.

Now according to an article released this year, Hinge has made over 8 million matches and it boasts 35,500 dates per week, and 1,500 relationships have happened due to the app. It's currently live in dozens of cities here in the U.S, as well as London, Toronto, Sydney, and Mumbai. And just last year the app's active user base grew 5X.

Several takeaways from our call with Justin, including how to start a competitive company in an already crowded marketplace - I mean how did Justin really set Hinge apart from all the competition? Justin's self-described 'insane' investment strategy - and I have to agree with him. His portfolio contains two stocks, that's it. No index funds, no diversification of a basket of equities; it's two stocks and he'll tell you which ones. And the real life mega entrepreneurs that Justin has the great fortune of knowing and learning from personally.

So here we go, unhinging Justin McLeod.

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[INTERVIEW]

FT: Justin McLeod, welcome to So Money. Great to have you on the show. Welcome.

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JML: Thank you. Thanks for having me.

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FT: Let's start by talking about your new app. It launched in 2013, Hinge. I'm really impressed because – not while I'm not your target audience, I'm married – I find it really impressive that you and your team went forward with this idea knowing that the market is – well, it's not saturated, but I feel like there are some really big players in the online dating space and they seem to have some pretty healthy market share – you thought you had something really different to offer. So, tell us about Hinge and how it differentiates from say Tinder, Coffee Meets Bagels and even Match.com?

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JML: Interesting. When I started Hinge, there really wasn't Tinder and Coffee Meets Bagels and all these other apps. It was really Match.com and Okcupid. I think the opportunity that we saw was that, gosh, so much has changed since these sites were founded – mobile came along, social came along in the form of Facebook, big data processing capabilities came along and it seemed like there was a completely different way to help people meet that wasn't this old-fashioned fill out a long profile and then search through other people's profiles.

We wanted to get smart about helping you meet the kinds of people that you would meet in real life if you had more time to go out to more house parties, and dinners, and weddings and that kind of thing. The idea of basing your dating experience around your social network using Facebook was sort of the [inaudible] idea and then right after we started, that's when Tinder really started to rise and I think the big question in the market is which other app will end up – if Tinder is out there for casual relationships, which one can get out there for dating and more romantic relationships and long term relationships? That's what we're trying to be.

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FT: You're differentiating yourself by saying, “We're not here just meeting up for coffee, the hookup, the Mr. Right Now, but really for a longer term relationship.” Kind of like what you eHarmony promises?

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JML: Yes. More about finding the right person and less about finding someone for the right now. I think that's pretty much exactly the way you say it.

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FT: How old are you, Justin?

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JML: I'm 31 now.

[00:06:08]

FT: Okay. Go back 10 years, This is a completely modern phenomenon because I feel like even 10 years ago – which isn't that long ago because I was dating also at that point – finding a match online was not something that you advertised or discussed.

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JML: Definitely not.

[00:06:29]

FT: It wasn't this cool way to meet people. You would lie, you would say you met at Starbucks or you met at a dinner party. Now, there is absolutely no taboo. What changed culturally?

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JML: Well, I think like the Tinders and the Hinges of the world changed it because I think in the old world, it signal desperation if you're using an online dating site because it was painful, because you had to pay money, because you had a thought, a really long profile, and you really only go through that right if you were having a lot of trouble in the real world. It's a vicious cycle. Right? Because if you know that only other people who are having trouble in the real world are going to do that, then it has that stigma to it.

What changed was the one-click sign up. With Tinder which uses geolocation, with Hinge which uses your social network, it basically gives you the ability with one tap to start seeing people around you and there really should be no stigma with that. Right? Why not? Why wouldn't you do that? It's free, it's super easy and it gives you the opportunity to meet people you may not have been able to meet otherwise. There are still a little bit of legacy stigma just because it

traditionally is an industry where there was some stigma associated with it, but I think because of this one-click sign up type of thing, it's pretty much all but faded now in this new world.

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FT: I read that Hinge is also making it harder for you to be a cheater and use the app, whereas astoundingly I read something like 40% of Tinder's user base is either in a relationship, or dating, married and they're on there presumably to find someone else. But your app does not really allow for that. If it does, you're going to get caught.

[00:08:25]

JML: That's right. One, fewer than 3% of our users, that's the case; and second, if you do, we're adding a feature that essentially just display your relationship status on your profile. So if you're in a relationship on Facebook, it's going to show up.

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FT: Justin, you're in your early 30's, you've already started a business and it's been very successful. As far as your money is concerned, what's your financial philosophy?

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JML: I'm a high-risk person so I invest a lot in assets and I don't think – I have my 401(k) that I had way back when I was – and I assume you mean personal finance. Right?

[00:09:16]

FT: Right. Personal finance, absolutely. You got a 401(k)? Where did you work?

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JML: I worked at a consulting firm. It's called PRTM from my first few years out of school. So I socked away some money there. I think I maxed out, like it's at due. I maxed out my rough 401(k) contributions and then later roll that into an IRA in which I now own only Tesla stock and Google.

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FT: You are fully invested in Tesla and Google. That's it?

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JML: Yes. That's literally my entire retirement depended upon Google and Tesla.

[00:09:58]

FT: No Vanguard, passive index funds?

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JML: No, definitely not. Those are such rip-offs. Everything that I read about the [inaudible] fees and systemic under performance of the market, I don't believe in mutual funds – and I know what I'm doing is actually relatively insane...

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FT: Yes, I'd say so.

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JML: ...because no one would tell you to put your entire financial retirement account into one or two companies. But I'm young and I'm a risk tolerance. Frankly most of my assets are tied up in Hinge stock and so this is my opportunity to balance out and diversify a little bit, and I just really, really believe in these companies and I'm up like 50% or 60% on those.

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FT: You got in at a pretty good time with Google?

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JML: Yes.

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FT: Today, maybe buying Google, I'm not so sure. If you put all your eggs in Google.

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JML: I still will. They have a whole lot of data and there's a whole lot more they can do with it and we'll see what happens in the future. I just think Elon Musk is probably a space alien here to save human kind and I just want to back him up.

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FT: He's not human. Right?

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JML: He's definitely not. He comes from another planet. I was at lunch the other day, actually with someone and he told me he really had a theory that Elon Musk was an alien and somewhere they've just been watching us. They're tired of us dilly dallying around to make pull two straws and Elon Musk got the short one and then came down to Earth to give us solar power, and electric cars and space travel.

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FT: I think it's all relative. Maybe people were saying the same thing about Thomas Edison, and Albert Einstein.

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JML: Yes, you're assuming they're not aliens either.

[00:11:38]

FT: Right? There's probably a whole gaggle of aliens and they come every few decades.

What was your exposure to money growing up, Justin? And even entrepreneurship, I think they go hand-in-hand in your case. What was your experience, your greatest money memory as I ask on the show growing up?

[00:11:58]

JML: Yes, that's interesting. As I grew up in a pretty entrepreneurial family, my dad ran his own business, my uncle ran his own business always so I never had a parent who really had like a traditional job. My mom was a lawyer and then a judge. So I think that was out of the question for me growing up. It's weird how your family situation kind of dictates what you consider normal, but it just doesn't seem normal to get a job. So I felt very out of place and weird having a job when I was doing consulting and I knew that I wanted to eventually do my own thing.

Yes, I didn't hear my parents especially because they're all sorts of more entrepreneurial. They were never like 401(k) types. They're sock-away-your-money-types. They're kind is like invest in good things and go. That's been my philosophy, too.

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FT: Wow. So did your parents have also a "insane" investment strategy where they only invested in Microsoft?

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JML: Yes. My dad is crazy. Now he's in the 70's and he's still a day trader. He likes the high-risk environment.

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FT: I'm curious. Clearly, entrepreneurship is in your blood, risk-taking is in your DNA, but when it came to figuring out, "What am I going to launch?" Were you approaching it as more of a strategic? Like what does the market need and/or, "Here is a \$2-billion market. Which is the online dating market space, lots of potential. I'm going to go here."

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JML: That should be 10 times bigger.

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FT: Yes. Or was it like, "I need this in my life and I want to launch it." What was the impetus?

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JML: It was kind of a combination of things. I thought I wanted to work in healthcare and that's why I was doing that in consulting and then I went to business school and my summer in between my two years of business school, I worked in healthcare and realized I really didn't like it – came back and really have no idea what I wanted to do. I actually accepted a job with McKenzie, which is another consulting firm out there and was planning on going there, and I started working my second semester, my second year of business school on an idea that I had which was totally separate from Hinge. As I was working on that project and I turned it into an independent study so I had to work on some sort of startup idea.

There, Valentines Day came along and there was this last chance dance party and everyone had to state what they're interested in and then the student government would let you know if

there are any sort of mutual interest. They decided not to do it because it was too complicated and they thought about hiring Deloitte. There was this girl that I really, really wanted to list who sat across from me in one of my afternoon seminars...

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FT: It's always about a girl.

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JML: Yes, I know. I was like, "Oh, I got to make sure this happens." So, I took it upon myself to create it for the...

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FT: "So I made an app."

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JML: Yes, so I made an app.

[00:15:10]

FT: Oh my goodness.

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JML: Ultimately, she did not list me but the idea for Hinge grew out of that and I started running with it and then the time came to decide whether or not I was going to go to McKenzie or work on this, and I decided to take a chance and work on this to the horror of my parents.

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FT: Kind of echoes Mark Zuckerberg's start with Facebook where although yours doesn't sounds as dramatic. According to the movie, which apparently is wrong, but they said that he was trying to get back at a girl who dumped him and created The Facebook and then it parled into what is now the largest, I guess one of the richest companies in the world.

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JML: Yes.

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FT: Justin, what is your biggest failure to date? Financial failure?

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JML: One of my most searing memories and I think that I was working in consulting and I had some money in a stock trading account like a Scottrade or something like that. My dad would always pass me these little tips. I had \$10,000 in the Scottrade account and he passed me this tip for this biotech stock I knew nothing about and so I bought a few thousand dollars worth of stock in it. I watched it go that day from \$0.80 to \$1.10 and I was like, "Holy cow!" I just watched myself gain almost a thousand dollars and, "Okay, well that's pretty cool." Then I bought \$10,000 worth of the stock and then...

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FT: You are not risk averse.

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JML: Yes, not risk-averse. Then I watched it and I saw my account gone up to \$30,000 and I was like, "Wow, this is amazing." And I got on an airplane because I was flying back that day. By the time I landed, my account was worth \$500. So, I got burned that day pretty badly and I had come to the turn whee I just wiped out all my retirement savings in a single trade and...

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FT: It doesn't sound like you've learned from that mistake, Justin. You got two stocks in your retirement.

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JML: I did. I know invest in things I really believe in, and understand, and know and despite my joking about Elon Musk being an alien, I actually really believe in that company and I think that has a really good long term future. I knew nothing about this. For me, it's not about the gamble, it's much more about investing in things where I see really big trends and I invest in the long term and hold, and I don't look at it on a daily, or weekly, or frankly even monthly basis. I actually have no idea what the account looks like right now. Sometimes my dad will call and congratulate me because it just shot up some more. But for the most part, I don't even look at it.

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FT: Yes. Where is Tesla trading at right now? \$242.50. What price did you buy that?

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JML: I think I got in the mid \$100s.

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FT: That's good. It's down by the way 10% today so good thing you weren't checking.

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JML: Yes.

[00:18:17]

FT: Let's talk success. Your proudest financial moment, as I say your So Money moment. A time in your life where you really feel you reached a financial pinnacle of sorts. What happened? Where were you? What were you feeling?

[00:18:34]

JML: Well, that's probably more Hinge-related. My successes in finance have been more Hinge-related than anything else. One thing that happened and this gets back to my I guess insane – I'm just trying to realize like what a gambling addict I am. Gosh. Hinge actually started in 2011 when I was coming out of business school and I worked on it for a couple of years and it really wasn't going anywhere, had a few thousand users, but I was still doing a lot of learning on how to create an app, how to create a consumer company. So around November 2012, we had three months of cash left and we were just weren't going anywhere. I sort of rallied my team and I said, "Listen, we are going to run in the cash and this whole game is going to be up in three months unless we do something drastic."

So we decided to completely rip down everything we've done, rebuild a mobile app with a vastly simplified user interface, and then launched it in DC around Valentines Day of 2013 and we took our last \$25,000. So we literally after that only had \$7,000 in the bank and we threw it on a giant \$3,000 person open bar launch party in DC and that got enough people to the party and got enough people using the app. We matched up more people the next day than we had throughout the entire history of the app over the last year and-a-half. That allowed us to get the seed investment that brought us to where we are today frankly. So, we were very close.

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FT: Now, I thought this was going to go a different direction. You threw the party and then you went broke.

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JML: Yes, we didn't. We were able to show enough traction next day that we're able to convince investors to pile on some more money to make sure we didn't go broke and then we raised \$20 million since then.

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FT: What? High five, Justin. That's amazing and there's more of where that came from, I'm sure. This market is not shrinking.

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JML: No, I don't think so. I think it's only growing. We're still figuring out who the players are going to be in the long term for sure as it's still early days.

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FT: What do you think is going to be the differentiator? As far as you can tell – clearly, you believe Hinge is going to be the winner here, but what are you concentrating on most to make sure that you cross that finish line?

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JML: Creating a trusted quality brand, I think is the number one thing. There's no service out there in the dating space that people love. No one comes away from Match.com and says, "Gosh, I met the love of my life and not only did I meet the love of my life, it was such an enjoyable amazing experience and I just love Match and I wrote them a love letter about how much I love their service." No one talks that way because no one actually – there's no service out there that really has a lot of brand affinity to it and that people feel really attached to.

That's mostly because most of these companies are marketing companies. They don't think a lot about the end-user in terms of creating an amazing end user experience. They think about how do we sell people to buy a monthly subscription in our service and then we know they're going to turn six months later because their service is awful. But maybe they'll find someone,

maybe they won't. I think we're a super user-centric, brand-centric company that's trying to shift that paradigm. We have a lot of work to do because that's not a simple problem. Creating a dating experience that appeals to a whole lot of people and makes everyone happy is nontrivial, but I think that's our play.

[00:22:27]

FT: Well, like I said, I'm not your target audience as I'm married happily, but my brother who's 24 is a big fan. I know he used to use Tinder and then now he's all about Hinge and you are brought to my attention by my team, all in their 20's who are like, "You've got to interview Justin. Hinge is the new best experience when it comes to online match-making." I have to say, in the trenches in New York City, we are big fans.

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JML: Awesome. That's really great to hear. That's what we're trying to do.

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FT: All right, Justin, what's your number one financial habit? This is something that you do often – maybe not everyday, but it's a conscious habit that helps you with your money.

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JML: Not sure if I have too many financial habits. I have daily basis habits. Yes, I don't have daily financial habits. I try not to think about finances that much, at least personal finances. I kind of just trust my Hinge stock. That's the majority. When I rent my apartment and my apartment has a couch and a bed, I have my little Roth IRA which is only Tesla stock and Google, and then I've got my Hinge stock and that's like literally all I have.

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FT: So your habit is you don't think about it, you try to keep it really simple and all bets in?

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JML: Yes, I guess that's it. I don't look at these things on a daily...

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FT: Well, I guess spoken like a true entrepreneur, I suppose. A tech entrepreneur that just got \$20-million round of funding.

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JML: Your listeners are probably like face palming right now.

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FT: They're like slapping their...

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JML: They're like, "This guy is talking about..."

[00:24:21]

FT: Like, "Don't!" They're second guessing their index funds. Don't, guys. Index funds are good.

[00:24:28]

JML: Second guessing me.

[00:24:29]

FT: No, we'll live vicariously through you and let us know how it goes. Before we let you go, I want to ask you some So Money fill in the blanks. This is the part of the show where I start off a sentence and you finish it the first thing that comes to mind.

If I won the lottery tomorrow – this is not someone and coming and giving you more money for Hinge, but you literally get a sack of money on your doorstep, there's \$100,000,000 – the first thing I would do is _____.

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JML: Probably just keep doing what I'm doing, honestly. Maybe open an Ashram somewhere and practice a lot of Yoga, but probably just keep doing what I'm doing.

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FT: Cool. Are you really into yoga? Do you attribute that to your health and wealth?

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JML: Yes, to a huge extent. I meditate everyday, I try to practice yoga almost on a daily basis. I teach yoga. Yes, I'm pretty into that stuff.

[00:25:27]

FT: Interesting.

The one thing that I spend my money on that makes my life easier or better is _____.

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JML: The first thing that came to mind for me is travel. I definitely do a fair amount and I think that that's just a big enriching thing for me and it's a thing that allows me to get away. I have to unplug from Hinge.

[00:25:50]

FT: A side bar question, Justin, who are your entrepreneurial mentors even if they're just virtual?

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JML: The ones that I look up to theoretically, or the ones I actually talk to on a regular basis?

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FT: Maybe both. That will be interesting for us to know.

[00:26:03]

JML: Yes. Andy Dunn has been a huge one for me that I actually talk to on a regular basis. He's on the board at Hinge, he's the founder of Bonobos and he's just been a totally phenomenal mentor for me, just guiding me through all the steps of creating a business. Hooman Radfar he's the founder of – it used to be called Clearspring and now called AddThis. It's that little orange plus sign you see all over the internet where it's like, “Add this to Facebook” or, “Add this to Twitter.”

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FT: Oh my gosh. Yes, I know AddThis.

[00:26:42]

JML: Yes. He created AddThis, he's been a big one for me. I think those are the guys that I really look up to and have really been helpful for me along the way. Richard Branson has always been my theoretical entrepreneurial hero.

[00:26:59]

FT: Well, maybe you'll meet him soon.

[00:27:01]

JML: Yes.

[00:27:02]

FT: My biggest guilty pleasure that I spend a lot of money on is _____.

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JML: Specially MeUndies. I just thought that I'm spending on with MeUndies. Did you know what these are? I find something that I like and then I buy a 100 of them.

[00:27:20]

FT: Underwear. Right?

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JML: Yes. Have you heard of MeUndies? They are the most amazing underwear.

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FT: No. Is it just for men or for women?

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JML: I feel like I'm paid by them, but I'm not. I'm so obsessed, I literally cannot wear any of my other underwear.

[00:27:30]

FT: This is the first time I've ever talked about underwear on the show. Is this just for dudes, or also ladies?

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JML: No, they have women. They have women's line, too.

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FT: MeUndies?

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JML: Yes, Me and then Undies.

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FT: I'm reading that.

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JML: I literally bought two pair and then I wore them, and I couldn't put on any of my other underwear ever again.

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FT: \$16 a pop. I'd say that's a splurge.

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JML: Yes, \$20 even or more.

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FT: “MeUndies, world's most comfortable underwear, socks” too.

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JML: Oh, they have socks? Shoot.

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FT: That's what it says.

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JML: I'd have to get into that, too.

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FT: I'm going to check them out.

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JML: Yes, you should.

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FT: I learn something new everyday on the show.

When I was growing up, the one thing I wish I'd known about money is _____.

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JML: I don't know. I don't know what the answer to that question is now. Maybe I haven't learned enough about money in my old age and wisdom to bring in any new knowledge to me.

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FT: Well, it's not like you did learn quite a bit and you retained a lot since you were a kid to help educate you now as an adult. I'll give you a get-out-of-jail-free card.

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JML: Okay, fair enough.

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FT: When I donate money, I like to give to _____ because _____.

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JML: I give mostly two things that my friends are doing. My friends get involved in charities and I guess I'm a social network type of person, but mostly it's friends' charities, usually around the education stuff because I think that's just – no one deserves a bad education and it really just sets you on the path for the rest of your life. So, whatever you can do to even the playing field a little bit there, because it's not an even playing field at all. It is something that I think about.

[00:29:16]

FT: And last but not least, I'm Justin McLeod, founder of Hinge, I'm So Money because _____.

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JML: Oh god. Well, I think reflecting on this interview, I think I'm not afraid to take risk whether it's financial or otherwise. I think that that's been a big reason for my success, a big reason for

why I guess I could have been a failure at any given point and have had low points certainly, but I think I guess it's that risk-taking aspect.

[00:29:48]

FT: Well, again, always fun to live vicariously to the risk-takers and I really appreciate what you're doing in the space for connecting potential romances and my brother thanks you because he's had successful dates on Hinge.

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JML: Awesome. Thanks so much, this was fun.

[00:30:06]

FT: Thanks, Justin.

That's a wrap. If you'd like to learn more about Hinge, download the app by visiting Hinge.co. You can also follow the company on Twitter at [@HingeApp](https://twitter.com/HingeApp). We've got all this info at Somoneypodcast.com where you can also grab the transcript and comments from this episode and all previous episodes.

And I want to hear from you. Submit your question about money, or work, life and guests at Somoneypodcast.com and there's a very good chance that I will answer it that week. As a reminder, if you'd like the chance to win a free 15-minute money session with me, hop on to iTunes and leave a review for this show. Every Saturday, I pick one new reviewer to receive a free 15-minute money blitz with me. I've been doing this for some time, love connecting with you one-on-one. So if you are interested in this, please leave a review and hopefully we'll connect.

Thanks again for tuning in. Hope your day is So Money.

[END]