

EPISODE 495

[INTRODUCTION]

[00:00:34.7]

FT: Welcome to So Money everyone. I'm your host, Farnoosh Torabi. Always great to have you join me and I'm sure by now you've learned or have heard that I am working on one of my favorite financial tools, that's mint.com, and I'm writing weekly for the blog, doing audits. For those of you who have Mint profiles, if you want me to go through your finances or talk through some of your budget items, happy to give a breakdown of what I think you can improve upon and change add or adjust.

So let me know if you want to be a part of that, email me, farnoosh@somoneypodcast.com and we'll add you to the list. So as part of the partnership, I had a chance recently to sit down with Intuit's senior vice-president and general manager, Al Ko, who is overseeing Mint. He is visiting New York City a few weeks ago, came to my office here, it's an unusual setting because normally I interview people via Skype. So it was cool to be face to face with someone.

We talked about Mint, how it's come a very long way since it launched back in 2006, we're interview on board at that point? I think I might have joined right around then and so we talk about some of the changes that Mint has experienced over the decade, the challenges that consumers continue to face. This really surprised me especially when it comes to bill pay, and get this, the \$400 purchase he made back in college that he calls his So Money moment.

Here is Al Ko.

[INTERVIEW]

[00:02:04.4]

FT: Al Ko, welcome to So Money. Welcome to New York.

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AK: Good morning, great to be here again.

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FT: This is a unique setting for me. You know, usually I interview guest virtually but you have travelled all the way from San Francisco.

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AK: Yeah, our offices are in Mountain View, yeah.

[00:02:18.5]

FT: I always forget, my west coast geography is always off but thank you for being here. You've flown in all the way and made time to be in person with me. So let's talk about Mint. My listeners already know that I've partnered with Mint. It's not always where you get to work with the teams and the companies that you actually use and really rely on. It was just a dream phone call that I got. Why did it take you so long to call me?

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AK: Yeah, you know, I was wondering the same thing. So first of all, it's awesome to put a face to a name and we're really excited to work with you and we've loved just following what you talk about in terms of finances and money and so it was a perfect fit. So we're excited to be here; this is my number one priority in New York.

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FT: Well thanks and it's interesting to see as someone who was an early adopter of Mint, now it's been what, 10 years later since your beta launch. Lots has changed. Tell us about some of the new big picture initiatives that Mint's really focusing on, the space, the FinTech space has

gotten really crowded, really competitive. For consumers that's wonderful, but I'm sure for someone who is running a company that's in that space, it can be challenging to think how can we continue to stay ahead.

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AK: Yeah, first just a little bit of context. You know when Mint started, you mentioned 10 years ago it was a web product and now, 80% of users are either mobile only or mobile first and that's a big change. A couple of other tidbits about our users; 75% of our users are in their 20's or 30's. They hear about it typically on a college campus when after their first internship and they have some bills to pay or have to finally be a grownup and they ask their friends and the friends typically mention Mint because it's just so easy to use.

Another interesting tidbit is that more than 90% of our users are either in college or have a college degree and so that's a pretty staggering thing. But it also begs the question, and you ask about what's coming down the road, how do we make Mint more every day relevant for everyone where you would fire it up literally all the time as opposed to being younger, more educated tracker who wants to get on top of their money? And as you know, so many Americans just need to be on top of what they're doing and we think we have a very important role to play in that mission.

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FT: So I've been doing some demographic research on how millennials like to manage money, how boomers, retirees and the difference — one of the differences is the mobile aspect. The older generation is not so mobile excited. They're a little skeptical of mobile, they don't use their phones for everything like the 20's and 30 year olds do. So is that a challenge, is getting them to convert to mobile, since that's where a lot of the action is happening?

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AK: Yeah, I would say for older folks for sure. Now, we really benefit for having a younger demographic where that's not an issue. But I think it's going to happen and in fact, we do a lot of

research even abroad in countries where tech adoption and mobile adoption maybe even higher than the US and you see it. It's going to be pervasive across every generation.

It just so happens that for younger folks, even mobile is a broad category. How they interact is different. So again you talk about where things are headed, more of a messaging chat box style interface where I am having a conversation with Mint is a direction that we're pushing as opposed to a beautiful app that I can interact with, which was a bit of the model of the past.

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FT: In its infancy, Mint, and again from my perspective because I was an early adopter, was really more a place to go and get organized. You know, see all my bills in one place also at the same time, Mint would educate me on, "Hey, you're paying too much interest on this credit card," or, "Here's some other bank accounts where you can get a better savings rate."

How has that evolved over the years as our finances has gotten more sophisticated, as our needs have changed and also as the market place has gotten more competitive? There are a lot of organizational financial apps, dashboards so to speak. So what are the needs that Mint is serving these days?

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AK: Sure, well keep in mind at Intuit, we've been at this for 34 years. It was born out of the granddaddy of them all, Quicken, and you know one thing hasn't changed. Only about 15% of the population are trackers. Meaning, even though everyone should stay on top of their finances, only a small fraction do and so I would actually say the grand challenge is, how do you get folks who aren't naturally inclined to just track every day and budget and stay on top of their finances, how do you still deliver the value?

And then back to where technology is headed, people are used to getting more notifications and alerts. Things that are more personal and specific to me; my city, my demographic, my lifestyle and so he who solves that problem best will win down the road and I think part of the benefit of

that will also be more mass adoption. Again, Mint has 6 million active users today but obviously the population is much, much bigger.

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FT: It is and, like you said, a lot of this comes down to behavior. You can give as many tools and instructions and education but at the end of the day, human nature sometimes trumps, in bad ways and in good ways, our ability to take on good habits. So how does Mint work within that realm? Like understanding our psychology and our behavioral tendencies, how does the platform reconcile that a little bit?

[00:07:57.9]

AK: Yeah, you know what? I think you should come work with us. Well, more than you are today, because you're absolutely right. Human behavior is such that even though people fret about money, they don't necessarily do the steps they need to address their situation. I'll give you an example; in any given month 5% of all credit card payments are not paid at all with huge penalty and when you ask folks and when you actually look at the data, they had the money, they just didn't pay it.

And there's a whole myriad of reasons why but back to why did you miss it, what was the, not only did the behavior that triggered it but also the tools that you had or didn't have that actually can get at the heart of solving your biggest financial problems? What we need to do is not — every app proceeding Mint and even Mint when it started was about having someone who is organized, giving them a better tool. That tool needs to recede in the background where now I'm just living my life and this tool is helping me every day optimize it.

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FT: It's fascinating that people, you'd think, "Oh, well just automate your bills. It's that simple, you'll never be late." Is it that people aren't just adopting to automation as much as we think it's so prevalent?

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AK: Well automation is a tough point because enough people are on the razor's edge and you know there's all kinds of stats but, you know, more than half of Americans don't have X hundred dollars in savings kind of thing. Where the automation part is a bit of a luxury for the 10% not for everyday because most folks need to stay on top of it, look at it before they pay. You know, there's \$26 billion a year in overdraft fees because people made a payment that they weren't good for.

So again, the intelligence that we can build into, "Hey before you make that payment you might want to transfer some money or wait until Friday when you get paid." That's the kind of intelligence that people need that doesn't require a change of behavior, but they will drive much better outcomes.

[00:10:09.1]

FT: You came to Mint with a very substantial consulting background. What has Mint taught you? What has your experience overseeing the management, the brand, told you about consumers about FinTech? What have been some of the more interesting take aways so far?

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AK: Sure. You know in consulting you'll learn obviously a lot about gathering data and then creating a hypothesis and then proving or disproving the hypothesis and thinking short, medium, and long and I think that's a good training ground. But I'll tell you the surprise not just in Mint but if you're in the product side is customers defy statistics or data. You have to engage with them, live with them, meet with them, follow them home, which is something that we do a lot.

[00:10:53.9]

FT: Stalk them, basically.

[00:10:55.0]

AK: Stalk them, exactly and you learn some staggering things. I'll give you just one example. If I asked you, how many times a month do you pay your credit card bill?

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FT: At least once, sometimes twice, if I want. So here's my thing, it's kind of a trick because I don't want to have a high debt to credit ratio and sometimes if I'm applying for a loan, they can check my credit in the middle of the month and they can see that, "Oh my God Farnoosh went on a shopping spree." Like if I bought a lot of furniture, so if I have a really tall balance by the 15th I'll just pay it off then even though it's automatically going to pay off by the 30th because I want to protect my credit score. That's just because I am a nerd.

[00:11:37.6]

AK: Holy smokes, you are so money savvy, you are...

[00:11:41.3]

FT: So you're not going to be following me home, you pretty much know who I am now.

[00:11:44.6]

AK: You are So Money. You are the last person that we need to help. But you hit on something interesting, when you ask most folks out there, they kind of give you an odd expression and say, "What do you mean how many times do you pay a credit card bill? You pay it once a month. Sometimes the minimum, sometimes more than the minimum, sometimes the whole statement balance." On average, aggregated across millions of people, the average is 1.5.

And for every Farnoosh of the world who is super savvy and wants to keep that debt, the outstanding debt ratio down, most folks the reality is they can't pay off their whole credit card but they know their credit card debt is bad and so they pay when they can. When they get paid

every week, every two weeks and so it's a very interesting phenomenon. And then if you say, "Okay, that's what people do. Are there any tools that optimize for folks who pay multiple times a month?" And the answer is not really. The whole world is centered around the monthly payment and so again, speaks to opportunities that we can solve, looking at people's behavior and savoring the surprise.

[00:12:48.1]

FT: Well, we'll look forward to that because you know Mint's got some exciting things in the cooker. We'll be announcing them shortly soon as they get announced publicly. So let's talk about you Al. You know, you're on the So Money Show, so I know you've travelled far to be here but I can't let you go back home without answering some of our personal questions every guest answers, beginning with what's your financial philosophy and how has being Mint maybe fine-tuned that for you?

[SPONSOR BREAK]

[00:13:19.0]

FT: Just about every investment and retirement plan is created by men for men, which is fine, unless you're a woman. Women still earn less than men, for now. We're more aware of risk, we're more likely than men to pause our careers to raise a family and unfortunately, we typically retire with less wealth than men even though statistics show that we live longer. That why there's Ellevest created for women, run by and designed by women.

Ellevest helps women invest based on their specific goals like buying a home, starting a business raising a family or just retiring like a boss. So Money listeners can visit Ellevest.com/somoney and have an investment plan created at no cost customized to your specific goals. Invest like a woman with Ellevest. That's Ellevest.com/somoney.

[INTERVIEW CONTINUED]

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AK: I'll be honest with you, being at Mint has empowered me and frankly, I've been a user since day one when it was a startup with information. But my philosophy has been a long standing one that's been passed through the generations, frankly from my parents, and it's quite simple. It's stay out of debt, it's give 10% to charity, I know that seems old fashioned and then save 20% of my money.

And actually, my wife and I, when we were engaged talked about these things before and we both agreed to live by these principles and it served us well when we had no money, with tons of debt in graduate school all the way through being a little bit more advanced in our careers.

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FT: I think the charitable component is so important. We talk about charity on the show a lot and I just did some study, not did some studies, I found some studies on the link between gratitude and financial happiness and they found that the more grateful you are, the happier you can be with your financial circumstances. Grateful about all sorts of things, your family, your job.

But also, contributing to some cause or nonprofit or be giving back to your community can make you grateful because you can see the impact that it has and it feels good and therefore it gives you a lot of perspective on what's really important, what's not and how your money can really work for you. So it has a lot more benefit than we think sometimes.

[0:15:40.5]

AK: Yeah, absolutely. I mean I imagine all of us can look back at our lives and say, "I personally benefitted from the generosity of so many individuals either directly to me or my family or indirectly." For example, I got a lot of financial aid in college that was donated by folks who decided that was a worthwhile thing. So I totally agree with that, I'm on the board of a nonprofit organization that fights for access to clean drinking water. If you would believe it, tens of millions of Americans when they turn on their tap, the water is polluted and what can we do about that? It's something I believe in deeply and I totally agree, it's tied to happiness for sure.

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FT: You talked about your parents teaching you a lot about money and why it's shaped your philosophy today. Take us back to when you were a kid, little Al, growing up, what was the most impactful money memory that you had? Whether it was something your parents taught you or an experience that you went through?

[0:16:38.5]

AK: Well, mine is — I'm Korean, I'm growing up in LA, classic immigrant story from Korea, we actually lived in Iran and then in 1979 when all the craziness was happening, came to the US. Ours is story that's like so many where family of four, two suitcases, \$200 bucks, no job and that background of "remember your roots, remember where you came from" has been a very important part of my life story and where we don't want to take anything for granted.

[0:17:12.5]

FT: Koreans in Iran? I got so winded from that, my contact lens just popped up, I'm not even kidding, I have to adjust this probably after the show. But what was that like? Do you remember what it's like being a foreigner in Iran?

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AK: Well, I was a little kid but a lot of people don't realize that Iran is an incredibly cosmopolitan place, it's one of the great civilizations and up until '79, there were tons of Americans, Europeans and Koreans living there and working there. So we have very fun memories and then frankly moving to LA, it's almost...

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FT: It's the same thing too Los Angeles right?

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AK: We didn't leave Iran yeah, that's kind of how it goes.

[0:17:52.1]

FT: Oh yeah, I should have made that connection and you're totally right. Before '79 it was this mecca of cosmopolitan, it was — people I would meet throughout my life I would say, "I went skiing in Iran, we would go on vacation in Iran." I'm like, "Really? Well that stinks for me, I was born in 1980, go figure." I haven't had those memories yet, but hopefully one day soon.

[0:18:16.1]

AK: You're annoyingly young.

[0:18:19.5]

FT: Not anymore, I don't know, it's all relative, right? So Al, tell us about your — we're going to talk about failure in a moment, but let's start with some happy news and talk about your So Money moment. A time in your life where you felt you really channeled all that, all those good lessons and they all manifest into something really fantastic?

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AK: I'll be honest with you, I could talk about the purchase of my home which is obviously a big milestone or paying off my student loans which I just did last year.

[0:18:48.6]

FT: What?

[0:18:49.0]

AK: A big milestone. So I could talk about those things but I have a more trivial but more personal story to share. You know, I went to college in the northeast and it was really cool that I'm from LA and I didn't have a nice jacket. But I could never afford a North Face jacket and it speaks to how fashion backward I am that that was to me the kind of apex of...

[0:19:09.0]

FT: North Face is cool, don't discount yourself.

[0:19:14.0]

AK: Well, so I always wanted one but I could never afford one, so I didn't have one going through school. So my first job out of school, I was at a training in San Francisco in Union square, I walked across the street during a break and I paid \$400 bucks for a North Face jacket with my first paycheck and boom, I realized at that moment I'd made it.

[0:19:33.9]

FT: And it kept you warm, it was utility.

[0:19:35.9]

AK: Exactly, kept me dry. It was everything that I'd hoped it would be and more.

[0:19:41.2]

FT: Did it help with your popularity? Did you get more friends? What other intrinsic things?

[0:19:48.5]

AK: You know, that side of the house was a little disappointing but that did not live up to expectations, but the technical side of the jacket was perfect.

[0:19:55.4]

FT: How long did it last?

[0:19:57.0]

AK: It last me 12 years of heavy use.

[0:20:00.5]

FT: Here's a tip, right? When you're considering a splurge like that, thin of cost per wear. \$400 divided by 12, quick math, that's like \$35 a year?

[0:20:11.8]

AK: That's exactly right, it's cheap. I should have bought it long ago.

[0:20:15.7]

FT: Good tip, I love that. Never had a So Money moment being a North Face jacket but...

[0:20:21.0]

AK: That's right. Well when you're a poor kid from LA, those are the moments you remember.

[0:20:26.8]

FT: I bet you never wore it in LA because...

[0:20:27.8]

AK: No, you wouldn't need one.

[0:20:30.1]

FT: All right. So now, let's talk about failure. This is more of — we talk about failure because we love failures on the show. We think that they're important to experience and if you have the right mindset, this could really end up being a wonderful lesson learned. So what's your best financial failure?

[0:20:49.9]

AK: So I'll be honest with you. I've always been super on top of my finances and super conservative. I'm not sure there's an epic fail, but I will say this. My biggest financial penalty I've ever gotten was when I missed a property tax payment soon after I purchased my home. And for those of you who have homes, I think you'll know that at least in most states and municipalities, they make it incredibly hard to pay it. They don't remind you, it's all paper, you can only pay by paper, if you don't want to pay a huge penalty and I missed it.

It was a very significant fail that was a great reminder that I need a better system that for, as much as I think that I have things automated, there are many things that you still cannot automate. So how do you create a better system so that you don't let things fall through the cracks?

[0:21:39.9]

FT: So what did you do after that? What became your system?

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AK: You know, I put a reminder on my calendar and I normally don't use my calendar for paying bills, but after I did that and now that I've taken this job, what I found out is that actually is the primary method, whether it's a paper calendar or digital calendar, that people do to track their bills and when they're due, which I didn't realize. Because for me, kind of like you, I try to set it and forget it so that was a great lesson learned.

[0:22:11.8]

FT: It's a great lesson because you're right, when you buy a home, a lot of times those first months expenses, the mortgage, the taxes, the insurance, unless maybe some are bundled through escrow, you have to pay that. You can't automatically — you setup the automatic payment like afterwards. You have to sort of do the first month, the old fashioned way and depending on too, when you closed, did you close for — did you pay the bank for a month? Two months? Half a month? That's always, it could be different. You have to be really aware of how much you owe the bank starting in month one, or maybe it's month two.

[0:22:48.6]

AK: Well, you know, just reacting to that, when you ask people, "Hey, why did you miss that payment or why did you make that really bad financial decision?" We typically ask it in a little nicer way. The answer is almost never, "I drove this bad boy off the cliff deliberately," right? It's always, "I forgot, I didn't know about it, I didn't mean to," and so there is a wide gap between people's — the tools that folks have and their awareness of what they need to be doing and the reality and again if you multiply it by all the hundreds of transactions a year that you have to stay on top of, it's a very difficult thing, it's a very stressful thing. Especially if you're kind of on the razor's edge.

[0:23:31.7]

FT: Mint has been alerting me to the fact that, because I go to the ATM a lot, but my bank reimburses me usually up to a certain amount every month and Mint doesn't really know this because they just see that, "Oh, Farnoosh paid \$2.50." So they tell me and it's like I love that you're telling me but it's like, how do I tell Mint that I'm going to get reconciled at the end of the month? I guess it's just something that they're going to keep nagging me about, but it's a good nag.

[0:24:00.3]

AK: It is a good nag, I'll say there is all kinds of room for optimization, in the scheme of the big problems we want to solve, that's probably a little lower on the list. But I, like you, have the benefit of having reimbursement for ATM fees and so I know exactly what you're talking about.

[0:24:15.5]

FT: I feel you, I know where you're coming from but trust me on this one, I got this.

[0:24:18.6]

AK: But hey, it feels good when that \$5 reimbursement shows up as income.

[0:24:22.9]

FT: That's true. All right, let's talk about habits; your number one money habit, besides of course using mint that helps with your financial wellbeing?

[0:24:33.7]

AK: I check my bills and where I stand, at least every week and I take stock of my balances, my debits and my credits so to speak. I always have, and then I proactively move money around as necessary to make sure that nothing falls in arrears.

[0:24:51.6]

FT: Right. So every week? Is it Friday's at noon, or is it like in your calendar? How does — do you do this with your partner?

[0:25:00.6]

AK: I'm so terrible, it's Saturday mornings. I'm just that kind of guy.

[0:25:04.6]

FT: Fair, at least you had it done. That's really exemplary, that is So Money. All right AI, let's talk really fast now. We're going to do some So Money fill in the blanks and don't over think it, just first thing that comes to mind.

If I won the lottery tomorrow, I don't think you play the lottery but let's just say someone came to you with a hundred million bucks, free, yours — pay your taxes of course — but what's the first thing you would do?

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AK: I think I'd buy a ski house in Utah. We love to ski as a family and that's where I would buy it.

[0:25:32.9]

FT: Maybe you could buy a new North Face jacket.

[0:25:36.8]

AK: That would definitely be right there in the top 10.

[0:25:40.5]

FT: When I spend my money to make my life easier or better or both, I like to spend on _____.

[0:25:46.3]

AK: People are shocked when I say I spend \$300 a month on Comcast. The reason I do that is I get the maximum speed internet because I just like blazing fast internet in my home and I know Comcast is like a reviled brand in America but I love Comcast.

[0:26:03.6]

FT: Is it the Fios?

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AK: You know, I don't know. They call it business class internet. I don't think it's Fios, I think it's something else.

[0:26:09.9]

FT: I think this is like a whole other class, it's like behind closed doors. I've never even heard of like supers. I thought what I had was like the fastest, but I think I've been misinformed.

[0:26:20.7]

AK: Maybe it's a Silicon Valley thing? But I'm shelling about four grand a year on Comcast, which is probably not the best investment.

[0:26:28.0]

FT: I get it you know, that's smart and the Silicon Valley area, that's the demographic where people want no hiccups with their Wi-Fi. All right, when I splurge — and that could be a splurge too, the Wi-Fi — but when you splurge once in a while, what's your favorite thing to splurge on?

[0:26:47.5]

AK: You know, my wife and I like to splurge on entertainment. Wo we were just recently at the Beyoncé formation tour, we always go with great seats. Taylor Swift, Bieber, you name it, we like it all.

[0:26:57.7]

FT: I love it, toss your hair around AI, I love it.

[0:27:00.1]

AK: Exactly.

[0:27:02.1]

FT: Awesome, that is not something that I would have expected.

[0:27:05.3]

AK: She keeps me young.

[0:27:06.3]

FT: Fantastic and I think there's a new Justin Timberlake special on Netflix, will you be watching that?

[0:27:10.5]

AK: Absolutely.

[0:27:11.2]

FT: Okay, thought so. All right, when I was growing up — I know your parents did an excellent job, but what is the one thing that you wish you had learned about money growing up?

[0:27:20.9]

AK: You know, understanding a little bit better about taxes because it takes a huge bite and then being able to plan my life around what I, you know, all the deductions that come out and what I actually have and actually that's a very common question we get when people get the paycheck, they assume, "Hey, how am I going to spend all this money?" And you should be

asking yourself, “How am I going to spend half of this money?” And that’s a very different thing and I learned it the hard way.

[0:27:47.5]

FT: I think a lot of us do, because tax is just not one of those things that will really stick in your memory when you’re 12, 13, 14. I mean, maybe some of the aspects — I think it was terrible and I got accounting in college and I still pay my taxes but I have a tax accountant do them for me.

[0:28:02.7]

AK: Well, I’m very pro tax, freedom doesn’t come free as they say, but you’re absolutely right.

[0:28:09.0]

FT: Okie dokey, when I donate — you talked about donating in the beginning of the show — I like to give to _____ because _____.

[0:28:17.0]

AK: I mentioned the environmental charity, I like to support that cause but my wife and I, it’s pretty broad based, we give to different schools, we give to health organizations and yeah, we give all over the place.

[0:28:33.0]

FT: Okay, so you’re here in New York for another 24 hours, what’s something you like to do here for fun that, you know, do you get to come here a lot?

[0:28:40.7]

AK: I come here about once a quarter but it's usually all business. But my wife happens to be on a business trip here at the same time, so we are going to Hamilton tonight.

[0:28:48.7]

FT: I'm so jealous.

[0:28:50.8]

AK: I know, it was not cheap.

[0:28:51.3]

FT: I know that, we were just talking about it on the podcast, I think it was on the podcast, if I was going to go see Hamilton and the answer is "not yet". I'm jus — well, I want to go before the baby's due because then I won't see anything for like another three years. But maybe that will be my splurge? Thanks for inspiring me. Al Ko, thank you so much and it's been a pleasure.

[0:29:13.4]

AK: It was great to be here, thank you.

[END]