EPISODE 1624

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FT: So Money episode 1624, revolutionizing banking for women with Vrinda Gupta, Founder of Sequin.

> *"**VG:** Women have the largest spending power of any demographic ever, right? We control GDP. One of the reasons that I felt I couldn't make the change that I wanted to make within the financial services industry was I felt there needed to be a fundamental redesign of how exactly these products are being built because there are initiatives out there that are coming from legacy financial institutions that I think are good, right? And it's evangelizing that there is a problem. But a lot of those initiatives are a bit surface-level."*

[INTRO]

[00:01:09]

FT: Welcome to So Money, everybody. I'm Farnoosh Torabi. Happy Monday. If you haven't been listening to recent episodes, you may not have heard that I have opened up a very special opportunity for the So Money community. It's called the So Money Members Club. It's been amazing seeing many of you join over the weekend. So Money Members Club, you can check it out at somoneymembers.com. I've got the link in our show notes.

Essentially, it's a monthly membership where you can connect with me and all of our friends here in the So Money community. I host live and recorded monthly workshops around important financial topics like real estate, negotiating, investing. We've got a community group where we can continue the conversation. I've got monthly office hours where you can drop in and ask me your money questions. It's a whole shebang. You can go to somoneymembers.com to learn more about it and hopefully sign up. Let me know if you have any questions.

Our guest today is going to take us behind the scenes of how the financial services industry doesn't always accommodate for women consumers and women bankers. Vrinda Gupta is the CEO and Co-Founder of Sequin, a women's financial guidance and high-interest banking membership club, speaking of clubs, designed by women for women. Vrinda is a globally recognized credit expert. She helped launch, in fact, the popular Chase Sapphire Reserve card, and she has her MBA from Berkeley.

Funny story about that Chase Sapphire Reserve card, which she'll get into, is that she helped invent it. Then she was rejected from the credit card that she helped build. So just to give you a preview of some of the things she's going to be talking about, about how the financial services industry sort of falls short sometimes of giving women, and in particular immigrant women like Vrinda, access to financial literacy and access to good financial products. Stay tuned for Vrinda's big tip on how to boost your credit score very quickly. It's actually two tips. Here's Vrinda Gupta.

[INTERVIEW]

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FT: Vrinda Gupta, welcome to So Money. I'm so excited to have you on the show, especially because I don't think that you could have been on this show years ago, working at Visa. You wouldn't be able to tell me the things you're about to tell me and our audience when you're working inside the world of finance and financial institutions. Now, you are a free woman, and you have things to tell us that we need to know, especially women in the audience, about how the banking system works. I really appreciate you coming on and being so brave to tell us. Welcome.

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VG: Thank you so much for having me, and I am really excited to pull the veil off a little bit and hopefully empower us all and what we need to know when we're interacting with financial services, which is pretty much every single day.

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FT: Every single day. You come from Visa. At Visa, you helped to build some products that I and probably others are familiar with or use, including the very popular Chase Sapphire Reserve, one of the more popular credit cards. First of all, amazing that you did that, but that experience also led you to launch your own initiative leaving Visa to start Sequin, which is a fintech empowering women to step into financial freedom.

But I want you to take us back to Visa, and your experiences working within financial services, and what you learned about the system, and the methodologies there that didn't always work in favor of women and even yourself. You applied for the Chase Sapphire Reserve that you invented. I understand we're not qualified. So I want to learn – pull back the curtain. Let's unveil some of these thoughts that we've probably all had as consumers but that you can confirm for us.

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VG: Yes. Thank you so much for asking that question. I'm so excited to demystify this entire world of finances. I actually want to start a little bit further back because it'll kind of put context around what was interesting for me at Visa and why what we're doing with Sequin is so important to me today.

I and my family emigrated from India when I was really young. As immigrants, I watched my parents navigate the financial system in the US and feel very afraid of all of the gotchas. I kind of noticed that my mother in particular was very afraid of making financial decisions or engaging with financial products in the US because, one, she didn't understand how exactly they worked. Two, there are some pretty serious gotchas on the other side, right? You make a wrong decision, especially as an immigrant, where you don't have wealth accumulated. That's serious, right?

Just watching that dynamic between my mom and my dad was really eye-opening because it made me associate money with power. My dad was not necessarily trying to make decisions on behalf of my mom. But because she didn't understand how the system worked and didn't feel confident, that's kind of what ended up happening. As a result, both of my parents said, “It is so important for you as a person but also as an immigrant, as a woman, to really understand this world because that's how you start to build generational wealth, right? That's the dream. That's the American dream.”

When I went to get my first job out of college, that's why I was really interested in joining Visa because I wanted to empower myself financially. Then I could empower my mom, and I could empower the women around me. This really was – me signing that offer letter was that moment of me saying this generational money trauma, especially as it relates to the women in my family, that's going to end with me. Flash forward a few years later, I'm at Visa. I'm a product manager, and I'm working with my team to launch popular credit cards. So every single Visa card that was launched between the years that I was there went through me.

I was so excited to help create the Chase Sapphire Reserve, which is a more premium credit card. It looked at travel rewards, had airline lounge access. It was really aspirational, and I felt so excited to be a part of it. I remember this big day where I was sitting at my desk at Visa doing the application on the Chase website, and I got rejected from the credit card that I helped create.

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FT: Why? Why do you think that? Was it your credit score? Was it a glitch?

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VG: I mean, my mind raised to all sorts of things, right? I think the first piece was I’m an impostor. I never belonged here in the first place, which is something I've spent many years on learning. Very quickly, I came to my senses, right? I said, “Wait, I know exactly how these products work. I'm building these. So there must be something deeper here.” The piece that was very unsettling for me was when I got rejected, I did not know why. Legally, you have to get a letter in the mail a few weeks later. There's five potential decline reasons. None of which are actionable, right?

I actually went to my manager at the time, and I told him what happened kind of sheepishly. He said, “Okay, let's look at your credit. What's going on?” What I realized was that I did not have a credit card under my own name. My dad had made me a secondary user, which by the way, is twice as common for women to be a secondary user on a parent or a partner's credit. I was not building credit under my own name. Because of that, yes, I was credit visible but not at the point where it was actually showing me and my credit profile. That's why I got rejected.

It felt like this very important test that I had never been taught how to study for seemed like some people knew about it. I didn't and that was kind of my journey into understanding how this financial world was built. I realized that it wasn't a fault of mine that I didn't know this. Where was I supposed to learn, right? I'm not taught in school. None of us are. A lot of the stats that I uncovered as I went on this kind of obsessive wormhole of what is going on when I realized it was not me, it opened my eyes to, okay, who was the system designed for? How was it designed?

I think this is probably no surprise to anyone, but I learned that women and minorities could actively be rejected from bank accounts, from credit cards, from business loans up until the 1970s. That is not ancient history. I did not know that. What that also meant was every single financial services entity, product, tool that was designed before the seventies, which is pretty much all of them, right? Those were designed to actively leave women out of the narrative.

That, to me, obviously, that was in the past. But I think we all know that if you write something into law that, okay, that's illegal now. That doesn't mean that the problem's solved, right? It's just that, okay, legally, you can't do that anymore. I started to become really obsessed with, okay, what are the implications today because when I started doing this exploration, I started talking to my friends. I, at that point, had many friends who had worked at Visa for a long time. I had friends who were MBAs. I had extremely educated women and aspirational women in my life. I would talk to them and say, “Do you feel confident in your finances? Do you feel like what's going on? Do you feel like the guys know a little bit more than us?”

I kept on hearing these stories about financial anxiety, a lack of financial confidence. But these women were not not confident, and it just felt like there was something more deep. Essentially, what I learned was even today, at all parts of our financial journey, women are making avoidable mistakes. It starts really early. It's no fault of our own. So the first thing that I learned was little girls are half as likely to receive a lesson on credit and finances by the time we reach high school as compared to boys.

Also, what I learned was after we graduate, we are not being marketed to in the same ways that men are. So banks are marketing more to men than they are to women. I also saw some really real discrepancies in terms of how women are engaging with financial tools where women are paying 18% more in avoidable banking fees every year, which leads to hundreds of dollars. That's overdraft fees, late fees, penalties. When it comes to credit, we are more creditworthy and more likely to pay back. But our credit scores are lower because of the gender wage gap.

I learned, of course, about gaps in terms of retirement and building wealth and just those gaps in terms of actually growing our money. It just led me to realize that, of course, financial education, there's a lack there. But also the tools themselves are not really taking into account that there are very real differences in women's lives that we need to account for and that the tools themselves are not working that great for us. That's the point at which I took a step back and I said, okay, something needs to change.

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FT: Yes. Clearly a huge underserved market, and yet all the data you know. You know it more than anybody that women are the number one consumers. We are leading our households, more breadwinners than ever before. Women are the number one buyers of real estate when they're – before they get married. How much more data do we need to suggest, to prove to companies and product pushers that your target audience needs to be women. Not only as seller but to empower women is to – everybody wins.

When women are more educated and have more money and more resources, I mean, we are the ones who are at the forefront of our households. That's not a little thing. I'm curious. Were there conversations like this happening behind the scenes at your previous employer? If there were, how did they go? Why is there such a cultural resistance to empowering and educating women around money?

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VG: I think what's really interesting around that is when we think about designing for women, it's not a new concept necessarily. One of the pieces that was really inspirational for me was exactly what you're saying, Farnoosh, is women have the largest spending power of any demographic ever, right? We control GDP, women financial services, $95 billion opportunity by McKenzie, by Oliver Wyman, right? These are known entities. So to your point, it's how much more data do we need?

I think the challenge and one of the reasons that I felt I couldn't make the change that I wanted to make within the financial services industry was I felt there needed to be a fundamental redesign of how exactly these products are being built because there are initiatives out there that are coming from legacy financial institutions that I think are good, right? It's evangelizing that there is a problem.

But a lot of those initiatives are a bit surface-level, right? It's, okay, let's say that there's a different color on something, right? Or we can say here's a bit of education. Fundamentally, the tool is not actually changing. It's just, okay, maybe we're making you aware a little bit more. So I think what the industry receives is perhaps a marketing problem which is a part of it. But the real fundamental insight is that the products and services themselves are not really designed to take into account the factors that affect women. Of course, it's a huge opportunity. But I don't think the way that this problem gets solved gets solved from marketing initiatives.

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FT: What I'm hearing is that a lot of the legacy institutions think that repackaging different colors, different, maybe showing up in different places to find their women customers, their female customers is the solution. But tell us what you've actually learned is the game changer and can really help women when it comes to empowering them around their money. Maybe we can get into Sequin because this is where you're showing up for your women customers and doing things differently.

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VG: Absolutely. Yes, I really love this question, and this is what I spend all my time thinking about. Yes. So in the spirit of designing truly with women in mind, the way that we've built Sequin and my team and I has always been by talking to women, putting our products in front of them, and saying, “Is this meeting your needs? What are your needs?” Really reinforcing how we're building around women's needs and women's goals and women's lifestyles.

One of the core insights that I've gleaned is the gap in the market today is that there is a lot of education out there, right? We have amazing financial influencers who, I think, are awesome. There’s a lot of content, Google university, right? There's so much out there. But the challenge with that is it's sometimes hard to make that actionable. We know that adult learning happens by doing, right? So we can know, okay, I need an emergency fund. I need to pay off my debt. I need to be investing. Okay, how do you actually do that? How does that become relevant to you and your lifestyle?

Maybe if you have a lot of credit card debt, you aren't ready to invest just yet. Your goal really should be paying off that credit card debt. But that priority order and the specifics on how to make that actionable sometimes are lacking out there. On the other side of things, I'm seeing all of these banking products with legacy, your traditional financial institutions, and they're good at keeping your money safe mostly, right? They are not necessarily incentive-aligned with you, where they're not saying, “We make money when something good happens to you,” right? If you think about how your bank is making money, it's when you make a mistake, right? You pay a fee. That goes in their pocket. You don't invest your money, or you don't grow your money with them. They pocket the spread on the interest that they're lending out.

When you make a mistake, your bank makes money, and they're not really helping you take the action specifically towards your goals. They're also not really teaching you. You get a credit card, right? With great power comes great responsibility, but so many of us are struggling with credit card debt. So many of us aren't building credit effectively, myself included, right? That was the genesis of this company. They're not really teaching you how to use the tools and how those tools are really aligned with your goals. The tools, fundamentally, are really not incentive-aligned with you.

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FT: Everybody – I feel like everyone would benefit from this kind of incentive structure, not just women. I mean, down the road, do you see just a total revamp, a rehaul of so many of the systems and the ways that we are providing financial services to consumers at large?

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VG: That's the bet that I'm taking on Sequin, right? That's the world that I would like to see happen in my lifetime. That's why I and my team work on this every day, right? Where there is a business case of you can do well by doing good. You can align incentives in a way that if someone, if your customer makes more money and is finding value in your product, then you also make more money as well.

I think up until now, I mean, the banking system financial services is the number one industry, right? Banks made $13 billion a year on average on overdraft fees. So when there's those kind of opportunities of, okay, you are making money in that way, then what actually is the incentive to even change that? So I think a lot of it is the power of the consumer of being able to say where do I want to keep my money, and do I want to keep on giving my money to these kind of institutions? Or are there better options that are actually working in my interest and work for me as well? I hope that in the future, every single institution has this business model. But for now, I think that's a huge opportunity for us to kind of pioneer that.

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FT: There's a lot of opportunity, I think, for innovation within the banking space. I did an article a year and a half ago or so on these smaller neobanks that are promising different, for example, ways of taking your deposits and then investing that, like their portfolio of investments. Every bank has – this is what banks do. They take your deposits. They invest that money in their projects that have a high ROI. That's how they can then offer you some interest. They're making more interest with other projects. But some of those projects include fossil fuel-based projects, oil, and weapons, and supporting certain regimes even that maybe you're not aligned with philosophically.

There's this crop of banks, for example, that are like, “We're just investing our consumer dollars in our deposits in green energy.” I'm just wondering. There's a lot of resistance to innovation. Have you come across bullies, I'll just say it, in the financial services industry that are like they don't want you to succeed because your success is not a good look for them? A lot of those banks that I just talked about, the ones that were like, “The neobanks have gone away.” Behind the scenes, it's because they're fighting a war. I just want to know what's happening behind the scenes. I know you've gotten a lot of support, Y Combinator, tons of press. From your peers within the industry or your former peers, what's their take?

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VG: Yes, absolutely. I mean, I think to be fair, my colleagues at Visa have been so supportive. Actually, we offer a Visa debit card with high interest. So we're partnered with Visa. Visa is extremely supportive. But what I will call out is how challenging it is to innovate in this industry. Even the fact that we have our high-interest checking and our Visa debit card out there on the market, it’s really challenging to get live. A lot of that challenge is, one, it's very expensive to work with a banking partner that is FDIC-insured. That is an expensive endeavor.

The second piece is you, obviously, have to be compliant. You have to make sure you're following all of the regulations. That means that you're spending money and energy on that, which is, again, so important because you need to be in the best interest of your consumers. But it is, as an early-stage startup, a lot of overhead. The third piece is as an early-stage startup, it's hard to find these partners, right? Ultimately, they're looking at, okay, is this a huge opportunity, and are we there to grow with you?

We've actually had a lot of churn with a variety of banking partners at the very beginning. Now, we're live. Everything's stable. Everything's good. But it's been extremely challenging even to find the right partner that’s aligning with this huge vision with us because as an early-stage startup, of course, you're building up momentum. But you're not huge yet, right? So that's another bet as well. But we work with regulators. Every single piece of our marketing collateral goes through a compliance audit. So there's a lot of very challenging overhead.

But even to get the partners to get the products live is a huge deal. That's why I feel really grateful for my time building financial products at Visa to be able to navigate that. But it is extremely, extremely challenging. The more sinister side of me is what is the incentive to make it easy to launch these kind of products when there are these big incumbents that have a lot of money to lose.

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FT: Just to recap some of the membership benefits at Sequin, which by the way, is your company and not just a bank where you go and you park your money. You're really positioning this as a community, a place to learn, a place to connect with other women. So there's a wealth program. There's community and guidance. Then there are, of course, banking and credit tools. What's next?

I find that the best banks, the best bank partnerships or relationships, are the ones where there is a place to sort of grow your wealth with them, where you're going to go get the mortgage next. You're going to maybe start the business and open up a line of credit at the bank. Or you're going to eventually open up an investment portfolio. Do you see Sequin becoming this ecosystem, this financial ecosystem for women?

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VG: Yes, absolutely. I'm like, "I need you in my investor pitches with me, Farnoosh." I do want to say on the spirit of legal and compliance. So sequin is not a bank. We are a fintech. We work with our banking partner.

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FT: Powered by. Yes.

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VG: Yes, which is FDIC-insured. They are thread bank. I'm like reading this disclosure in my head.

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FT: Maybe you can hire me to do your pitches. **[inaudible 00:25:24].**

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VG: I'll just do the disclosure part of it. But, yes, Sequin is a fintech. We work with a banking partner to keep your deposits safe. They are FDIC-insured on deposit. But I would love to take a moment to talk about Sequin and then go into what you just mentioned, Farnoosh. Essentially, the way that we've designed Sequin is a banking and financial guidance membership club that's designed with women in mind. That means that anyone is welcome to join, but really the needs are around women. Pretty much the same way that your traditional bank is built, right? So it probably works better.

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FT: Yes. The exact opposite of what a traditional bank is. Yes.

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VG: Exactly. The exact opposite in that it works better for – Sequin works better for women. But if you're someone else, you can definitely come in and identify a different way. We have three key tenants that I think you said really well. The first that we talk a lot about is our wealth program. Essentially, we'll offer you a pathway to financial freedom where we talk about money, we talk about credit, and we talk about building wealth. We help you with your priorities in terms of, okay, if you don't have an emergency fund, that needs to happen first, right?

We also will help you calculate it. We'll help you grow it in Sequin’s high-interest checking, which I'll talk about in a bit. We'll also say, okay, if you have credit, car debt, how do we get you to pay that off first? Then what happens next? Do you want a premium credit card? What is the right one for you? There's nothing sponsored in our programming. So we're not hitting you with ads. We're not giving you sponsorships. Truly, we're just saying these are the best products that we think based off of your lifestyle and your stage. This is what you need. I consider it kind of a cheat code to financial freedom, essentially, where it's like these are kind of the main things that you need to do. I want to make that accessible to everyone because people have financial planners.

But, usually, you have multiple millions of dollars. You have kind of a unique situation. We wanted to make this wealth program really accessible and really actionable. So you'll get courses, worksheets, calculators, tools, et cetera to help guide you through the stages of wealth building. That’s one piece.

The second piece is our actual financial tools, which I love. One of those, and I actually have my card here, is our Sequin high-interest checking. We offer today 3.56% APY on checking. Those rates are subject to change. For now, that's what we offer. That is, essentially, not really on the market. It's like some of the best CDs out there in your checking account. So every single dollar is growing. You don't have to worry about it. We don't have overdrafts. We don't have penalties. We don't have any gotchas. When you're with Sequin, you are growing your money, and that is happening effortlessly the same way as if you had it in a different kind of growth vehicle. We have competitive rates on your checking account, which is really neat. We also have credit tools that will help you pay off credit card debt, build towards an 800-plus credit score. We've had a lot of success there.

Then the third piece is really our accountability and the community piece, where we all rarely get to where we want to be alone. So we have workshops. We'll help you do mid-early annual check-ins on your goals. Make sure you're on track. We'll go through each of the steps of our wealth program together, every month hype each other up. That really is our community membership offering, and you will pay a transparent fee upfront. We do not charge you anything additional when you are a part of Sequin. It’s banking in a box but also accountability, goal setting, wealth building, et cetera all in one place. That's what it is right now. We love it so, so much, and it’s exactly –

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FT: How many years or months, or how long has it been live?

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VG: Yes. We actually just launched this high-interest checking and our membership product about six months. So it's very new, but our results are amazing. We've seen on average a 50% increase in just confidence and finances overall. But also on average a 20-point credit score increase in a week. We've given so much in interest. Back out, our rates are 51 times the national average. Women are making a ton of money with Sequin usually to pay back their membership fee and more. Yes, it's been really awesome and, yes, less than six months live.

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FT: Wait. So 20-point credit increase in a week, what are you teaching us that we need to know?

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VG: Yes I love this question, and it is actually one of a big hack that we've gone viral multiple times with. This is my – I shout two things about credit from the rooftop. The first one is building credit in your own name. It is so important. Do not be building credit under someone else's name. That's not going to be as effective, and it leads to all sorts of issues.

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FT: Sometimes, you have to, right? If you're an immigrant or if you're 16, 17, 18 and you want to establish credit because you're going to be on your own in college soon. I mean, it's a good kind of beginner step. I always say getting authorized usership on a parent credit card is a great, relatively safe way to build credit. But I get your point. It's not a long-term solution.

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VG: Yes. The second you turn 18, it really should be you're getting your own credit product. As an immigrant, we actually recommend secured cards, is you just start building credit under your own name. Especially as a woman, the less you're attached to someone else, the less financial control abuse of marriage ends, et cetera. I hear so many of those stories. In general, unless you're a child, I guess. If you are an adult, you should be building credit in your own name. That's one thing I shout.

The second one, and is actually this hack here, is we say to pay off your credit card on average once a week, instead of once a month. Essentially, what that does is it lowers your credit utilization, which is your percentage of your overall credit line that you're using. It's the number two factor in your credit score, and it's something that people don't really talk about. Actually, at Sequin, one of the great membership perks that you have is you can connect your credit cards to Sequin. We'll send you credit utilization alerts. So if your utilization is too high, then we'll actually tell you to pay it off.

A lot of folks say, “Well, I get that with my Credit Karma.” The myth out there is that above 30% is the problem. But under 30%, you're fine.” The secret that I want to share is that for excellent credit and for those in the 800-plus credit score club, on average your credit utilization is at seven or eight percent at every single day of the month because you don't know when the credit bureau's reporting or when your credit issuer is reporting to the credit bureau. So keep that utilization below 10%.

Of course, if you have credit card debt, that should be your priority. Pay that down. But if you don't have revolving credit card debt, do the weekly payment. Or better yet, sign up for Sequin. We’ll give you credit utilization alerts, and you won't have to think about it at all.

[00:32:35]

FT: Boom. I love that. I love a good takeaway. You're right. The 30% is always like the general threshold. Stay below that for your debt-to-credit ratio. But, right, the people with the best scores definitely have much smaller ratios.

Vrinda Gupta, thank you so much. Really appreciate you. Wishing you all the success. Stay tuned, everybody. I'm going to mention in an offer that Vrinda has for all of us so that we can get – testing out Sequin if we like for a nice discount, 40% less, which is very generous. Thank you so much, Vrinda. Happy New Year.

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VG: Thanks so much for having me. Happy New Year.

[END OF INTERVIEW]

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FT: Thanks so much to Vrinda Gupta for joining us. Vrinda has a 40% off discount for anybody who wants to subscribe to Sequin's annual plan. Go to sequincard.com/somoney. That's sequincard, one word, .com/somoney. I'll see you back here on Wednesday, and I hope your day is So Money.

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