EPISODE 492

[SPONSOR MESSAGE]

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FT: A few weeks ago, I got a delivery from my new sponsor, HelloFresh and I couldn't be more excited. HelloFresh is a meal kit delivery service that makes cooking fun, easy, and convenient. Whether you are a busy couple, a family running around with no time to shop or just someone who wants to cook more, you need HelloFresh.

Here's how it works: HelloFresh creates and sends you delicious recipes and all the pre-measured ingredients to cook with sent to you in an insulated box. I recently tried their Fattoush salad kit — sounds like Farnoosh. It took me just 30 minutes from opening the box to sitting down and enjoying my healthy meal and HelloFresh's recipes are reviewed by registered dietician to make sure they are nutritionally balanced.

For $35 off your first week of deliveries, go to hellofresh.com and enter "so money" when you subscribe. They're currently offering customers a choice between their classic box, a veggie box or their family box and you can check out their upcoming menus on their website. Visit hellofresh.com and enter "so money" when you subscribe for $35 off your first week of deliveries.

[INTRODUCTION]

[00:01:39.3]

FT: Welcome to So Money everyone. I'm your host, Farnoosh Torabi, November 7th episode 492, just eight more episodes until we hit 500, woo-hoo. Can you believe it? I don't know what to do that day. I feel like I should go on a holiday or have a celebration, I don't know. Well maybe we'll do something cool on the internet on the grand old World Wide Web and so some sort of live celebration, so stay tuned for that.

Question for you: are you one of those people who relies on technology to help track your spending and help pay your bills in a timely manner? I think most of us are raising our hands, right? We do something, whether it's looking on our online bank statement, it's using Mint, it's using other sorts of software, maybe you're using Quicken?

Well today, the company's CEO, Eric Dunn, is on the show and he's been an avid user since 1985 and has been with the company since its early days, even writing some of Quicken's code back in the 80's. He joined Intuit, Quicken's previous owner, back in 1986 as employee number four. So let me just let that sink in because imagine being employee number four, five even employee number 100 at what will then go on to be one of the most successful multibillion dollar revenue companies in Silicon Valley. You know just let that sink in, okay?

So over the course of his 20 years at Intuit, he served as the CFO through the 1993 IPO and merger with ChipSoft, was the first general manager of the Quicken business, and was Intuit's first chief technology officer. So he's had many different C-level positions and in 2000, Eric retired from Intuit to go on to pursue a second career in technology investing and earlier this year he became the CEO of Quicken Inc., the standalone private company, after teaming up with its purchaser, HIG Capital.

Eric has some incredible perspective and he's been in the FinTech space for over 30 years. So what has that perspective taught him and how has Quicken grown and evolved over these three decades? What can we expect from Quicken in the New Year, in the forthcoming years? Especially now that it's an independent company and truth be told, there are some improvements to be made, and Eric's own financial mistakes. He comes clean on So Money as do all my guests so you don't want to miss this.

Here is Eric Dunn.

[INTERVIEW]

[00:04:09.8]

FT: Eric Dunn, welcome to So Money. Great to have you.

[00:04:12.7]

ED: Thanks. It's wonderful to be on your podcast. I appreciate the opportunity.

[00:04:16.8]

FT: It's timely, you know, just this year, there was an announcement that Quicken is now independent, no longer with Intuit, working to improve upon a now — what is it? A 30 year old product?

[00:04:30.4]

ED: The first version of Quicken came out in December of 1984 so it's over 30 years. It's a venerable software with a great tradition behind it and hopefully a bright future ahead as well.

[00:04:43.3]

FT: Well, you are very attached to Quicken. I mean this was really your baby. You are employee number four into it and I read that you are someone who is very much behind-the-scenes working on some of the programming for Quicken. So tell us how you would describe it's evolution over the last now 32 years, given that technology has advanced so much?

I think Americans and your user base is probably now in a place where they are a little more aware of at least what they need and how they like to use technology. So tell us what the evolution has been like and what's ahead?

[00:05:17.3]

ED: Sure. So, Quicken got started in a different era. The personal computer was just becoming popular and of course, it was before certainly before the internet and before most people had any form of connectivity even valid connectivity. So we built a software product around a world of paper based finances if you can remember that far back and maybe that was before many of you were born.

[00:05:42.9]

FT: No, it wasn't. You are dating me a little bit, but I was already born unfortunately.

[00:05:49.6]

ED: And we built a highly successful software business around solving personal finance management on a personal computer in the 80's and early 90's. Quicken was one of the top selling software apps, then as now. I think we probably sold 100 million units over the years, some including distribution with hardware. There were years we'd sell five or 10 million, so it was definitely a high volume very successful product, and then a couple of things happened.

One that was very fortunate is Quicken gave birth to QuickBooks. So QuickBooks is in some ways a descendant of Quicken. Our early surveys of Quicken software revealed that half the people who were using it were using it to manage the finances for small businesses and the reason was because it was hard to use accounting software. So we took that thought at Intuit and built a separate product, QuickBooks, which has gone onto be a hugely successful part of Intuit, the ongoing company.

You know, Intuit today is a four to $5 billion revenue company, about half of that is the QuickBooks business. So Quicken gave birth to QuickBooks and sort of indirectly helped get Intuit also into the TurboTax business because the adjacency between personal finance and tax, Intuit acquired ChipSoft in 1993 and that's the other foundation of the company, the Intuit Company, as it is today. So indirectly, from a business perspective, Quicken gave birth to both the core components to the Intuit Company, which is a $25 billion market cap entity today. At the same time, Quicken evolved with the financial world.

So some time in the mid-90's, online banking happened and people gained access to their finances with the web browser for the first time and so, on the one hand that was helpful for Quicken because at the same time that banks were building websites, they're in many cases building connectivity to work with Quicken and its competitor, Microsoft Money that made the product a lot more valuable. But at the same time, banks were doing a nice job of building standalone capabilities and I'd say the first couple of years the online banking websites were pretty limited but by around 2000, you could do a lot of stuff on almost any bank's website, any credit card website. So with that, the role of Quicken and its competitor, Microsoft Money, began to evolve more towards where it is today.

So I think we see a financial technology landscape for consumers where there are some excellent free options for almost every consumer in America. Obviously they can use their bank's website and their mobile products including the Mint product still at Intuit, which do a great job of tracking simple finances. But at the same time, there are millions or even tens of millions of families and households that have relatively complex or what we call multi-faceted finances where their financial life is more than just a bank account and a credit card.

They have some investments, they have perhaps a rental property that they own, maybe they have retirement accounts, loans and when the people's financial lives get a little more complicated like that, we do an outstanding job with Quicken of putting it all together. So that's the role that we've evolved into where for simple finances, free offerings from banks and mobile app vendors are a good solution and for people with multi-faceted finances were really a great solution.

[00:09:37.8]

FT: At the time of the announcement when it was made public that Quicken had been sold to a private equity firm, HIG Capital, you has said in the press that Quicken could use some TLC and that you were working on to make it as great as it can be, that it's not a perfect product. So how are you improving it?

[00:09:56.3]

ED: Right, so there are three big initiatives in Quicken, two of which should be quite customer visible. One is simply taking the software products that we have today and making them better. So we had a low feature Mac product. We should have a small development team, very competent but a small development team. We have, as I indicated I think in one of my videos, double the size of the Mac team. So we're making rapid progress with the Mac product. I'm not just adding functionality but also improving the UI.

And then on the Windows product, we've just been sanding off the rough edges and we have a major look and feel enhancement this year we called *Project Q* where we're trying to make it look like what it actually is, which is a modern fully capable 21st century software product. So just in the products that customers know, we had some really nice enhancements just by doing the obvious, sanding off the rough edges, modernizing the look and feel, adding most asked for functionality in the products and so that's what we'll be launching in the fall. So that's one thing that we're doing.

The second thing that we're doing is not so visible to customers is we're decoupling from Intuit. So we're a standalone company. We're — no ownership by Intuit, but we do have some ongoing technical interactions with Intuit in areas like bank download, mobile sync, and authentication and some of those were keeping durably. Like the bank download technology, we'll leverage from Intuit durably but the other areas we're replacing and so that's a big job. It has to be done right because we have to protect the connectivity and security.

We also think there may be some opportunities to simply the experience for customers of using authentication and security technology because we're just solving for Quicken, whereas Intuit were solving a suite of products that went to Mint on the low end to multi thousand dollar protect products at the high end and there is a single security solution for all of them. So that's the second thing is separating from the Intuit technology in most areas. Our goal is to make that be invisible to customers or maybe a simplification.

And then the third area is I think anyone who's not been asleep at the switch for a decade realizes that the platform that people start with these days is mobile or feeling out the web and the desktop is typically the third choice and of course the desktop is where we have our strongest offerings. So we need to shift the emphasis of Quicken so that it puts its best foot forward on mobile and the web. We're making some nice enhancements to mobile this fall.

That I think our customers will like but the mid to long term goal is that anything that you do on a desktop, you should be able to do inter-operably on mobile and on web so that Quicken feels more like Evernote where you can use it on your phone, you can use it on your desktop, you can use it on your tablet, you can use it on the web and they all share the same data repository. And the way we figured out how to do that, by the way, preserves the option for desktop customers to keep their data on the desktop and not synchronize if they're very security conscious and prefer not to participate in that kind of cloud based data model. So that's the third big thing.

So just to recap, we're making incremental improvements in the products customers are already using, know, and love and I think those will be nice releases in just a couple of months. Second, mostly invisible to customers. We're separating from Intuit and trying to simplify a few things in the authentication area as we go and third, over the next couple of years, we're significantly expanding our investment in mobile and then web-based implementations of Quicken with the objective within just a couple of years of having it be fully inter-operable on all the platforms.

[00:13:56.5]

FT: You're totally right, especially that last point about mobile connectivity. I would be curious to hear your perspective Eric, given that you have such a deep long perspective and history of innovation in financial technology, what do you think are the best ingredients today if somebody wanted to create a really user-friendly, successful product that helps us with our finances? Obviously yes, it has to be mobile friendly, but where do you see some areas for opportunity?

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ED: Well the area of opportunity that we see is having a comprehensive capability where we'll give you a financial picture even if you have some complexity in your finances and so that's the opportunity where we're targeting. Obviously, there are loads of other opportunities that many other companies have pursued. There is, I think I already referred to lighter weight mobile products which make it very easy to get started. Minimal data entry for monitoring your transactions, and Intuit's Mint is a good example of that.

I think there's some excellent innovative products in the investing space that couple financial management with investment accounts and services, the so-called robo-adviser services. I think there's been a lot of innovation in low friction lending, and when I was away from Intuit, I was a payment's investor and I've seen a lot of great apps in the payment space. Some bad ones too but some great ones also. So those are some of the areas.

Quicken, I think is going to stick to the core concept of completely solving personal finance management for people with multi-faceted finances. But we're open to partnering with companies in some of the space as I have mentioned and we'll look to do that as we complete some of our project works notably in getting the separation from Intuit tied off.

[00:15:57.6]

FT: Oh that's interesting. That's insight that I hadn't read anywhere else. Maybe you'd have some acquisitions in the future? That would make a lot of sense.

[00:16:05.3]

ED: Yeah, I wasn't thinking as much about acquisitions. I think more partnerships. Acquisitions aren't ruled out, but what's front of mind for me would be partnerships.

[SPONSOR BREAK]

[00:16:18.8]

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]

[0:17:16.8]

FT: So tell us a bit about your journey. You seem to always be gravitating to the space of personal finance, technology. When you graduated from Harvard Business School, was this something that you foresaw or that you just fell into a really great opportunity and it just went from there?

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ED: I would say it's more the latter. I think I do have Harvard Business School to thank a little bit for having ended up in Silicon Valley. They had a great entrepreneurship course that had an impact on me. I did a field study in the spring of my second year on the hard disk controller business, which wasn't my future but it actually brought me out to silicon valley and gave me some exposure to the world of venture-backed technology companies.

So I have that to thank it for. I ended up going to Bain & Company, which in those days was thought of more like BCG and McKenzie. Now of course it's better known for being Capital, but it had then and has now a significant consulting business. While I was at Bain, I had some clients who were in the technology space, notably actually Western Digital, a survivor in the disk business.

[0:18:28.9]

FT: My dad used to work there.

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ED: Yeah. Oh, really? Interesting.

[0:18:32.6]

FT: Yeah.

[0:18:34.8]

ED: This was in the ’83, ’84, ’85 time. A long time ago.

[0:18:40.5]

FT: What was Silicon valley like in the 80’s and 90’s? Well you would know, I guess — yeah, the 80’s? Gosh, talk about evolution, right? How much was a house in 1983 in Silicon Valley and how much is it today, that same house?

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ED: Our first house in Palo Alto, which was at the low end of the market, was $165,000.

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FT: Wow. That doesn’t even get you a parking space.

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ED: It doesn’t. I would say, just quickly answering your question, “what was Silicon Valley like?” In the 80’s, it was still kind of a hardware place. Looked at a hundred companies that venture capitalist had founded in 1983, the 100 largest valuations, maybe 30 or 50 of them would have been — disc drive companies were big deal on the 80’s. Or actually hardware, personal computer companies, or a mini computer companies and chip companies were huge. Right now there’s just a handful. But the startup world was very much a hardware world in the 80’s and software didn’t come to dominate until maybe the early 90’s. So that’s probably the biggest difference I’d call out.

[0:19:52.0]

FT: Yeah, wow. I love watching that show *Silicon Valley* on HBO. You're in the midst of it now sort of, does that show ring true? Have you watched an episode before of it? It's pretty good.

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ED: I watched a few episodes and of course that's about the modern era, right? That's not about the 80's or 90's and it's a caricature of Silicon Valley, but there's truth to it to make it quite amusing for those of us who live in the Bay Area obviously, as well as probably many other people.

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FT: It is entertaining. So tell us, what's your personal financial philosophy, money mantra, as someone who has been behind quicken since its inception, basically? I'm curious to hear your own personal take on money.

[0:20:37.5]

ED: My personal take is very much to do it myself. I'm a do it yourself person and in order to enable that, I tend to keep things simple. So I avoid trusts and partnerships and complex structures, I manage my own investments directly. I don't have a money manager and so I figured that I'm good enough that I can get results that are good enough on my own that it's not worth paying management fees and the complexity of having third party advisers.

So the one area of course I'd leave out, of course I do invest in venture funds for example. which is a form of intermedia investment. But in terms of publicly traded securities, I don't use an investment manager.

[00:21:31.3]

FT: You mentioned robo-advisers earlier, do you think that's here to stay and that's going to be more of the gravitation that people are going to be going more towards the virtual help than one-on-one?

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ED: Well, I think the model that robo-advisers are displacing as far as I understand is the wrap account with one or even a two percent asset fee, which I think was not a good model. I think it would be hard to find an investment manager who is so good, particularly in broad asset classes, that they deliver a lot of value — deliver enough value to pay for fees at that level. I think robo-advisers with fees in the 0.5-0.75% range, I think have a better chance of paying for themselves. So I think it is a positive trend for consumers.

I should also add that there are two elements of having an adviser at least. One is making investment decisions and that's an area where I think well-educated people can do a good job by themselves. Another area however is applying discipline and keeping people in the market all the time and not panicking when there is a market down turn and maintaining a steady investment program.

So I think that's a component of both a human and a robo-adviser, which I am sort of discounting because that's not a service I need because I have that discipline myself. But I could see that for a lot of investors, that just component by itself could be a big element of value.

[00:23:08.4]

FT: You've raised a really good point. I mean, I think that, like I work in media and I feel like consumers don't want to spend money for accessing media and information. Where some online newspapers are creating pay walls, I'm not sure how people are rushing to give the New York Times their money to read more stories than they want. And I feel like in the FinTech space, free sells. You know, free is what is sexy and people are getting to be very — they expect it now. And when you ask them to pay $30, $40, $50, they are hesitant and I know that Quicken is a much more robust product and software than the average technology. But have you seen that as being kind of a hurdle especially with the millennials? They don't want to pay for anything.

[00:24:01.8]

ED: So you're raising a great point which is, "Does the Quicken business model survive into the 21st century with a new generation of personal finance users?" and I think the answer is "yes", and it's not so much a questions of generation. People in the last millennium paid for software, people in this millennium don't, as people with simple finances can get free solutions, which do a good enough job. People with complex finances can't track those with free solutions and so their alternative to paying $75 for a copy of Quicken might be paying $1,000 to a financial planner or adviser or even more.

I mean the value I get out, I mean there are plenty of people who sort of, instead of having a family office have Quicken and it's tens of thousands of dollars of value. That's rare, but I think there is a wide swath of people who get significant value that they'd have to hire expensive human agents to provide if they didn't have a product like Quicken, and that's a function of how much is going on in their financial life, not when/which decade where they were born in.

[00:25:22.4]

FT: That's a really good point. Do you have any sense of how much people's finances improved, or at least how much their ability to set goals and stay within budget improves once they become a Quicken user? I'm curious to just see the correlation. You engage with a really useful financial tool, your finances improve. Is that really the case?

[00:25:46.9]

ED: You know I wish we had the answer to that question, and so one issue is right now, Quicken is a desktop product. So even if we wanted to look at it, for the most part we don't see that data. We do see, some users use investing.quicken.com and so their investments are visible. So we can have opt-in privacy settings that allowed us to look at that. Then I think we would inevitably stumble onto that question I think you already eluded to, which is whether it's correlation or causation because probably people who are more disciplined and careful and thoughtful are more likely to buy Quicken.

So you really want a blind test of two samples of the population and sort of force, if you could, one not to use Quicken and allowed the other to use Quicken and then measure them over a long period of time. So that's the study one would like to do.

[00:26:41.6]

FT: It's a wishful question, it's an ambitious question. I know, it's like people who listen to this podcast is like, "You've already made the effort to join a financial podcast, you probably care more than the average person about money."

[00:26:53.8]

ED: I would say the one thing I'd add, so I basically said, "No, we don't have a data. It would be cool to have it but pretty complicated." I do think we have qualitative data. We have lots of users who say, "You know, my financial life works because of Quicken and I don't know what I'd do with it." So that's a subjective judgement, but there are plenty of people for whom it's the financial operating system for their lives and I think it's fair to say that for those people, they're getting better outcomes. But I'd love to have the AB test that you popped.

[00:27:26.4]

FT: I think it can be done, right? It would just take a lot of, like you say, controlling.

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ED: Yeah, you want to partner with us on that? You want to pick some of your podcast users and we'll do that.

[00:27:37.8]

FT: Okay, so join after the show. We'll give everybody your e-mail and — no I am kidding. We'll get this survey done. I think it will give you a lot of good press because I don't think there's been. I mean I am always looking for interesting studies about correlation in the financial behavior and this would be interesting to examine.

[00:27:56.1]

ED: Yeah, I agree. Well seriously, if you are open to finding a way to do a research project like that in cooperation with us, we would be very intrigued.

[00:28:05.3]

FT: Okay. Well, so Eric, tell us a little bit more about personally your financial successes, maybe a failure you experienced? Or maybe not a failure, but lesson learned the hard way? Going back to even when you are first starting out, what would be a lesson learned the hard and then what would you say was your So Money moment? We'll finish there. Te So Money moment is always, what I ask guest all the time to share the pinnacle of their financial experiences, something that exemplifies hard work, and stick-to-it-ness, and the financial stars aligned. But first, a mistake.

[00:28:48.6]

ED: So, I think probably the most blatant financial mistake I made was when right out of college, I had my first job, I had a little bit of money to invest and my grandfather had been in the oil business in Oklahoma in the 1920's or something and sort of earned a living successfully doing that even though no one else in the family did that and I had this romantic vision of the oil business being good.

So when my broker at Tucker Anthony called me up and said, "We've got this partnership called South Ranch. You should put $5,000 into it," I said, "Okay," and so A, there was timing because you might remember that oil prices plummeted in the 80's. B, it was just — I wouldn't say it was a scam, but it was a structure built to take advantage of uninformed investors like me and so it didn't go to zero, but it withered away and it was a completely failed investment. And I invested on gut feel without thinking and sold by a broker and so yeah, that was good learning for me.

[00:30:04.2]

FT: How old were you? Middle in the 80's so you were a youngen.

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ED: Yeah, I graduated from college in 70. Maybe I was 19 or 18? Yeah, so that was a clear mistake.

[00:30:16.9]

FT: And so your approach to investing now is just like a lot of my listeners and guests is passive index funding or are you aggressively in the market?

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ED: So I have a mix. Some of my investments are index funds, mutual…

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FT: ETF's, yeah.

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ED: …funds and bond funds but I have made focus technology investments because I work in the space and the example that I give you were my observation of business trends that was successful was I was in the venture business for 10 years and the companies I loved were payment startups. The companies that were successful were software companies, so there's a lesson in that but I love these famous companies and they all found the same frustration.

Which is at some point, they'd run into the card oligopolies — Visa, Master Card, American Express, Discovery — who have immense market power and you might know that as a consumer but if you are in the business, you're really aware of how much market power those companies have. So after experiencing that frustration as an investor, when Visa and Master Card became public companies rather than bank owned associations in 2007 and '08, I thought, "You know, I should invest in these companies," even though in 2008 at least the financial world is coming apart and so I did and I just looked eight years later, they're up six to seven X both of them. So it's not like a Google return but I think that's a triple in the investing space. So that's an example of where I've made target investments based on observation of particular industry segments.

[00:32:05.6]

FT: What's your So Money moment?

[00:32:08.6]

ED: So, clearly the biggest financial success I've had was having the good fortune to be an early employ at a highly successful company, Intuit and that was X parts dumb luck and two parts contributing to the success of the company and who know what else. But I don't quite know what a So Money moment is?

But if I have to speak about the So Money moment for our company, I think what I would say is Quicken Inc. is So Money because our mission is to help people lead healthy financial lives and that's what I try to do as an individual, that's what we try to do as a company, and I think that's what we'll continue trying to do as we rejuvenate this great business.

[00:33:07.9]

FT: All right, Eric Dunn thank you so much. We'll be keeping an eye out of course for Quicken and all the latest and greatest.

[00:33:13.6]

ED: Well a pleasure talking with you, thank you.

[00:33:15.0]

FT: Thank you.

[END]