

Wealthfront's New Mission - Wealthfront Blog

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5-7 minutes

My co-founder Dan Carroll and I chose to partner over a common desire to democratize access to sophisticated financial advice. We came upon this mission from very different experiences. As a venture capitalist, many of my former portfolio company recruits came to me for investment advice after their companies had been acquired or gone public. Unfortunately, I couldn't recommend anything I would use because the minimums associated with a high quality financial advisor were too high. Dan's interest in solving this problem arose from the poor financial advice his hard-working parents received from a family friend who was a financial advisor. We both knew sophisticated financial advice was too exclusive, and we were determined to change that. This mission sustained us from our founding in 2011.

Nearly a decade later, we are extremely proud of the progress we have made towards achieving our mission. We weren't just the first company to offer a globally diversified and rebalanced portfolio of low-cost index funds that, thanks to software, could be managed automatically for less than a quarter of what an advisor charged. We were also the first to offer many other investment features that were previously only available through an advisor that required a \$1 million account minimum (and sometimes as much as \$10 million). These features include ETF-based tax-loss harvesting, tax-loss harvesting within an index, multi-factor smart beta, risk parity and even tax-minimized transition to a more optimized portfolio. The investment management industry took notice. Because of our success, every brokerage firm now either offers or plans to offer an automated investment service, although none have the breadth of features we do. According to Statista, [automated investment services will manage over \\$1 trillion by the end of this year](#).

Our progress toward our original mission combined with our recent push into banking services and our much grander vision to optimize and automate all our clients' finances made us realize it was time to update our mission to reflect a broader purpose. In crafting this new mission, we were heavily influenced by Jim Collin's first book, "[Beyond Entrepreneurship: Turning Your Business into an Enduring Great Company](#)." Specifically, we wanted a new mission statement that reflected a big, hairy, audacious goal that could be realized, ideally within 10 years. It also needed to be measurable and reflective of our work today and our vision for the future. We ultimately coalesced around this:

Our mission is to build a financial system that favors people, not institutions.

Favoring people, not institutions, means putting clients' interests ahead of shareholders'. Every financial company says they do this, but none actually do because their business model doesn't allow it.

The first step towards realizing this mission is to reinvent banking — an industry that is notoriously unfavorable to its customers. We're all familiar with [account fees](#), overdraft fees, and getting zero interest on our deposits. But why does the banking industry do this?

The answer is simple: banks weren't built to benefit customers – they were built to benefit banks. As a result, the current banking system doesn't put customers and their needs first. Instead, banks force you to pay for outdated bank branches you don't use through confusing, hidden and seemingly endless fees. And they pay you nothing or almost nothing on your deposits, even when interest rates are high.

A classic example of the bank industry mentality was the way Jamie Dimon, the CEO of JP Morgan Chase, recently responded to a Bloomberg reporter when he was asked how he would deal with negative pressure on revenues caused by a decreasing interest rate environment. Without missing a beat, Dimon replied that they'd just find other fees to charge consumers to make up for the difference. Can you imagine Jeff Bezos saying that?

We don't think the answer to a short-term loss of revenues is to raise fees. Instead we believe delivering delightful new features that create new revenue sources is the superior way to build financial stability. I doubt you have ever heard that explanation from another financial services company. That's because no financial services company is as product driven as we are.

Our vision stretches beyond just building great products ourselves. Accordingly, one of the things we like about our new mission statement is its double entendre. We both want to build our own financial system that favors people, not institutions, and influence other companies to do the same. We're proud of how we changed the investment management industry and are excited to have the same impact on banking.

The future of financial services

In order to favor people, financial service companies will need to build delightful, software-based products. Only through software can you lower the cost of delivering a service enough to make money with your clients and not from them.

Software is also what will allow us to deliver on our bold vision of Self-Driving Money™. Self-Driving Money™ will optimize every dollar you earn and automatically take the most appropriate action based on what's best for you, not us. Our software will make managing your finances effortless, allowing you to reach financial nirvana. We can't wait to deliver on this vision and we are grateful to all of you for joining us on our journey.