Welcome to the Fintech One-on-One Podcast, Episode No. 373. This is your host, Peter Renton, Chairman and Co-Founder of Fintech Nexus.

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Peter Renton: Today on the show, I'm delighted to welcome Abby Levy, she is the Founder and Managing Partner at Primetime Partners. Now, Primetime Partners are a venture capital firm that focuses on a unique population, they are focused on improving the quality of life for older adults. A part of their practice is focused on fintech, they have obviously healthcare-type stuff as well. In this conversation, we focus primarily on fintech obviously and we cover a lot of ground and, you know, Abby kind of takes us through many of the different verticals that have massive opportunities because let's face it, this is a large market that, I mean, has been all but ignored by fintech founders for the most part, I mean, it's starting to change.

Most fintech companies are focused on populations much younger, but she goes through all the different opportunities that we have and this is obviously a population that is only going to get bigger. She gives us some stats around that as well and she also talks about what it's going to take to kind of move the focus of fintech founders into this population. It was a fascinating episode, hope you enjoy the show.

Welcome to the podcast, Abby!

Abby Levy: So happy to be here, Peter, thank you for having me.

Peter: My pleasure. So, let's get started by giving the listeners a little bit of background about yourself. You don't have a typical background from the people I have on the show so you've had a really interesting career path, why don't you tell us some of the highlights.

Abby: Well, I am a by chance venture capitalist and the by chance is that I backed into being a venture capitalist after having been a marketer and an operator and a founder myself. I studied Languages in college and found myself in management consulting post-college, after business school ended up in consumer products marketing running products for a business called Oxo International that makes kitchen housewares and kitchen tools. Spent most of my career working with either advising or in operating goals of brands always on growth marketing and BD until I got connected with Arianna Huffington who was then Editor at the Huffington Post and she had written a book called "Thrive," prior to a book she wrote called "The Sleep Revolution" and she wanted to turn it into a business focused on helping employers help their teams perform at their highest level.

And so, I joined Arianna as the Founding President of Thrive Global which is now a Series C-backed business that continues on in the employer wellbeing space and as a startup Co-Founder recognized that's one of the most challenging jobs there is. Continued to be involved in the business, but moved over to SoulCycle where I was running our digital products and all the while had a personal issue that I was trying to solve. It was around how my father who had been retired for 20 years, how he could spend his time meaningfully and I say this because he's not a one percenter, doesn't play golf and I started to kind of down this exploration of what happens to us when we age and we kind of age out of our jobs. I was really disappointed with the answer which is basically we have an entire government system set up for older adults, we have this healthcare system, we really don't have an infrastructure around other types of experiences and products for an older population.

And so, I started writing a few business plans of businesses to start that would solve my father's financial needs, kind of how to spend time meaningfully and purpose needs and then I really forget who it was, but a friend of mine said to me, you know, Abby instead of starting one of these businesses, why don't you start with a venture fund to fund dozens of these businesses and so that's how I became an accidental venture capitalist through I'd say necessity. Part of my journey when I was talking to a good friend of mine telling him I was going to start a venture fund focused on our older population, he's like, gosh, that's what my dad wants to do.

And I'm very lucky that one of my friends, John Patricof, had told me that Alan Patricof who has been an investor for 50 years, he is not an accidental venture capitalist, (Peter laughs) he is a legendary, in fact, sometimes called the Grandfather of Venture Capital, that he was interested in the same space. And so, I knew Alan already because he was a board observer at Thrive Global having invested in the business so we knew each other professionally and now we know each other in a conceived interest area so that's how we started Primetime Partners together which is a seed to Series A venture capital fund focused on products & services and technologies that address the population 50+.

Peter: Before we go on, I'd love to get a little bit more detail about Alan because a lot of people may not know him because he is past his prime, shall we say, as far as when he was a major force in Silicon Valley and what have you. So, tell us a little bit about his journey.

Abby: Well, I would actually say he is not past his prime and he would agree that he's going to live to be 116, he's running, walking New York Marathon this fall, going to Burning Man this summer and he just published his memoirs called "No Red Lights" which is a fantastic book for all listeners, whether you're an investor, a founder or just someone interested in business. But, Alan's journey was really, I don't know, many listeners might be familiar with one of the largest global PE firms called Apax Partners. Apax is a huge, you know, tens of billions of dollars and assets under management, but what most people don't know is that Apax actually stands for Alan Patricof and Associates so it actually bears his moniker as the Founding Partner of Apax.

From there, after after starting Apax, I think he got, I won't say, bored, but I think he got more interested in earlier stage investing and as it happens today, as well, the larger the fund, the harder it is to do early stage investing so he left to start Greycroft Partners which is now a several billion dollar venture capital fund. Along the way, he has made investments most notably in media businesses and podcast businesses, but also across consumer technology and he's funded 400 founders over his career or more. And so he is truly, I'd say, legendary from that perspective and he's a diehard New Yorker so definitely better known in the New York venture community than the West Coast, has not in a lot of fintech so that's also part of the reason why, you know, less depth in that area. But it's wonderful having been a partner with him and his wealth of experience to add to our investment strategy.

Peter: Sure, sure. If you're going to start a venture fund, it's always good to have someone with that much deep experience. So, before we delve into Primetime Partners what's your sense on the financial well being of things in this country. There's a lot of articles that has been written that they don't have enough retirement funds relying on social security, but what have you found when you're looking at seniors in this country as far as financial well being goes?

Abby: It's not a good picture, Peter. I mean, I think you have to start first of all with the issue of longevity which is no one predicted that people would be able to live this long. A healthy 65-year old woman today has a 53% chance of living to be 90 and a 13% chance of living to be 100, that is something for today's older adults. The fact that 13% will live to be 100 and that number is going to go up to 50% of people born after 2007 or live to be100. None of our actuarial models, none of our housing systems, none of the infrastructure talk about Social Security, ever predicted these many people living that long and this is a global issue, it's not just here in the US and a strain that puts on the fundamental math that the entire financial system has been, you know, engineered around is that the math doesn't matter.

And so, you have to start with the longevity statistics to understand what the financial pressure is, you then layer in the fact that one third of employees don't have any retirement accounts or IRAs. So, the loss of the employer as the funder of pensions and putting it into defining contribution plans has left a huge portion of Americans with no retirement savings who have chosen not to put it in, of course there is a choice there, but it's also that it's left a huge population vulnerable. And so, economists now predict that 50% of older adults will run out of money so that is where we stand, I am sorry to be doom and gloom, but that's where we stand.

Peter: I was reading something over the weekend that someone was writing about, they think someone alive today is going to live to 150. I mean, if you get someone to 150, the average age is going to continue to grow as we get better at solving diseases and that sort of thing. It's urgent now and it's only going to get more urgent, it feels like, as time goes on. So, given that, as you point out, there's not a whole lot of attention being paid by entrepreneurs to this age group, but why do you think that we don't have a whole slew of fintech companies focusing on this massive market?

Abby: I think it's two reasons. One is, I think, there is a perception that the government is going to step in with a social layer and take care of everybody. Gymkhana is the largest aging population in the world, I mean, they started the largest percentage of their population is older and the government largely funds, you know, they fund healthcare, housing and their social safety net so I do think people assume the social safety net is going to capture older Americans and so that makes it less enticing for people to start private sector businesses if they think that there's just not money on the private sector side, there's only, you know, there's money on the government side so I think that's one reason.

I think the second reason is that it wasn't really a personal issue for many founders, many founders start businesses for issues that they personally can identify with.

Peter: Right.

Abby: And the people coming out of my alma mater, Harvard Business School, they're not thinking about the average Americans', you know, retirement issues, it's just not top of mind, you know, when've got Web 3.0 and a bunch of other high growth-type businesses and I think COVID has changed that, in fact, I don't think I can see it in our numbers of founders we're seeing. All of a sudden, during COVID, every person became a caregiver of some sort, whether you're helping grandma Facetime her doctor for the first time or helping someone pay their bills online because they can't go to the post office. People really understood on a personal level, they may not directly, but, you know, in little bits and pieces we're seeing founders focus on these problems like never before, Peter, because it became personal and it was an unfortunate by-product of COVID that we all started taking care of our older generation in a different way.

Peter: Yeah, yeah. So, I want to go through a list here, this is something that was actually, I think it was sent to me by your PR agency, but I found it really interesting because there's lots of opportunities here, like different types of opportunities that, you know, entrepreneurs that are listening to this show, if they're looking about their next idea, I think jump on one of these things because this market is only going to get bigger. So, maybe let's start talking about firstly, Liquidity. A lot of older adults own large assets like their home, obviously, it's not generating any cash so tell us a little bit about the opportunity when it comes to liquidity.

Abby: Absolutely. I mean, I think there's an over urgent scene here which is our fintech environment is going to focus on asset accumulation, not decumulation and as a society, since we're the land of milk and honey or the land of capitalism, everything is about getting more and so the whole financial services system is about asset accumulation. The fact that people make money on AUM, by definition, is on accumulation, but the reality is that if you're doing a really good job of managing your financial security and your financial future, you have very thoughtful asset decumulation strategy.

You build it up and then the second half of your life, you take it down and that process of going up and down is not what our system's set up to do, it's really only set up to go up and there's also a lot of, I'd say, pressures that kind of view asset decumulation as a crisis only solution. This is where reverse mortgages come in, a last resort versus having an intentional and prudent asset decumulation strategy and so where we have found opportunity is really on this question of asset decumulation.

Two thirds of older adults own their own home, average home value in terms of the equity that the cash they can take out of their home values can be up to $200,000/$300,000 on average in America, this is a tremendous amount of money to be able to tap into and we've made one investment in the space that's a fair consumer-friendly home equity product called Fraction and there will other types of elements about home equity, but it's not just your home.

It's your life insurance policy, collectibles, you know, there's a lot of assets that people have where they don't view them as assets and even the whole share economy as well is an opportunity. I'm sure you've seen the statistics that, you know, the average age of an Airbnb owner, I guess, or Airbnb, as you know, is in the late 40s and so, you know, just thinking about how you tap into the liquidity of your assets should be part of the American dream not just the accumulation piece.

Peter: Right, right. There's another category here called Pre-Retirement, like people ages 40 to 60, this is sort of prime income earning years for most people and again, we haven't seen a whole lot of focus given on this group from fintechs. So, what are some of the things that you're looking at there?

Abby: So, "Pretirement" is an interesting space and I think the area here is really if someone is around financial advice and the fact that 50% of Americans don't have a financial plan and that financial planning industry that was just speaking at a conference for IRAs, you know, they're really looking at the top 20% of Americans when it comes to their business model and then we've got everybody else. And so, we've been very interested and we've made two investments in the space around this Pretirement planning because there's so many decisions you make, especially in this age even down to how and when do I take Social Security which happens at 65, what do I do about my health insurance, how do I think, you know, about home ownership and taking a mortgage or not.

All of these decisions even, you know, the tax situations in estate planning even if you don't have an estate and I put it in air quotes as if you're Hugh Hefner, everybody technically has an estate, it's just whatever your belonging are is your estate. The majority of Americans don't think about these things ahead of time so Pretirement is really a way to get ready and to be realistic about what's to come and also has an important impact on how long you work because people are retiring way too early, either because they're fortunate or forced to, because there's a variety of issues going on in the workplace or they think they're ready to retire because they've got $1 Million saved. What they don't know without a plan is that depending on their lifestyle that may not be enough.

Peter: Right, yeah. A million dollars is not what it used to be, that's for sure. Okay, so then, let's talk about Post Retirement. You've touched on it there, but, again, what are some of the things that fintech companies should be offering these adults, particularly when it comes to maybe earning income after they've quit their career, so to speak.

Abby: The gig economy has not been able to reach an older demographic in a major way. Again, average Uber driver age is older than, you know, you think, but there's so many gig economy businesses for people who have expertise, knowledge, connections and it's not really being tapped into because a lot of these as in gig economy, digital apps are just really focused on a younger audience who is used to working within these types of apps. And so, it just doesn't exist right now that there are marketplaces for talent or experienced workers, number one.

Number two, employers need employee benefits or employer solutions to be able to off-ramp employees gradually so it's not, you know, you're either working one day or not working the next with this hybrid situation the same way there are for on-ramps who want to come back to work or parents who want to come back work after taking time off to raise their kids. There's been lots of innovations and employer solutions there and very few employer solutions focused on the exit of employees and making that be more tiered versus black and white, all or nothing.

Peter: Right, okay. And then, another segment here you talk about, Senior-Friendly Credit Products, so what do you mean by that?

Abby: I mean, if you back to the fact that the math does not work, that the average net worth of an average American is not going to live out their life span, we have to tap into other monetary sources, those monetary sources are going to be their children and that is not being done right now. I like to call it the reverse 529 which is parents and their community, elder SQL, the older generation has put away and saved money for the younger generation via tax advantage college plans. We don't have the alternative where people are able to tap into their kids' credit or kids' balance sheets to be able to fund the remainder of their life.

A perfect example is in the homecare space and I'll talk about it in a little bit, but 90% of Americans think that in homecare by having an aide come to your house to help you with your activities or daily living like bathing or feeding, 90% of Americans think that's paid for by Medicare and it's not, it's consumer-paid. The average burden is going to be $138,000 for two thirds of Americans who needed homecare so $138,000 for the average American does not have in their wallet and how are you going to pay for that? Well, ultimately, the kids are going to have to pay, but there's no system right now, I mean, I don't know about you, but my number of friends, I'm 47, a number of my friends who say the strife and the pain negotiating with their siblings of who pays for what and how it's not as easy as Venmo to think about paying for our parents.

So, what are the credit products where we can say to the homecare agency, let's put a payment plan together, we're going to back it, it's like a guarantor, we'll guarantor it and buy now, pay later, all of those things for these major expenses, senior living, homecare, healthcare, extraordinary bills, all of these big expenses somehow thinking about how other people can help pay.

Peter: Yeah. As we were talking, it made me realize that there's a huge opportunity here. Obviously, the laws aren't caught up with this yet, but why can't you contribute to like an IRA-type product that grows tax free to be spent by an elderly person who needs.....

Abby: I know.

Peter: I mean, that product is crying out to exist.

Abby: Yeah. But I think it's in some ways, Peter, just like that asset decumulation that the American dream was that we make a lot of money, we die with it in our bank account and we leave it to our children now that our children are going to have to pay for us. And what's happening right now is that the next generation, not actually the existing younger generation, but certainly for those in their 80s and 90s right now, their offspring have greater assets than they do on average.

Peter: Yeah, right, makes sense, okay. So, you also talk about Care Insurtech, insurance innovation to address burdensome home healthcare cost, you did touch on it so tell us a little bit more about that.

Abby: The hidden home healthcare cost I just refer to, while the average is $138,000, if you have Alzheimer's or Parkinson's or some sort of long duration, debilitating disease, it can be hundreds and hundreds of thousands of dollars of in-home care. And so, there is a long term care insurance industry that's been around for a while, but only 7% of Americans have long term care insurance and that is because it's a very expensive product and there's been lots written about it. LTC or long term care as a product hasn't worked, hasn't worked for the insurers, they've lost their shirts and it hasn't worked for consumers because it's so expensive only 7% are getting it.

And so, the innovation on all types of home care insurance, whether it falls into supplemental insurance or riders on life insurance or annuity products, you know, there's product innovation on how to price these types of home care insurance products. There's also another type of concept that's making its way back and we're really excited about them, am not sure if you're familiar with quota tontine (?) is or was. It was a European concept where basically, it developed in the 1700s, where everybody put money in the pot and basically the person who lived the longest got the money (Peter laughs). And so, is in some ways this collective funding of longevity and it was outlawed by Napoleon in the late 1800s because it ended up getting kind of violent with people killing other people off to get to the pot of money.

But there's two startups we're looking at now that are bringing back this concept of hey listen, if I'm a healthy person and I believe that I'm going to live long, why wouldn't I put my money into a collective insurance product, it's a different type of insurance, and not just get linear benefits, but get extra benefits because I live longer. And so, it's kind of this, you know, other type of insurance innovation that we're going to need to see to also create the right incentives for people that take care of themselves and to not, you know, incur big healthcare cost.

Peter: Interesting, very interesting, that's another great idea. So then, another one here, you talk about Health Fintech Crossover, what do you mean by that exactly?

Abby: You know, we do a lot of work with health plans, Medicare advantage plans and other types of health plans, you know, United, Cigna and all of the biggies and they have always been focused on their medical loss ratio which is really looking at how they keep people healthier for the premiums they get from employers and individuals and financial security or insecurity has really never been an issue that they have been super focused on, it falls into bad debt, you know, number on their balance sheet and they write-off a certain amount of bad debt. But that was kind of always taken for granted that certain portions of Americans can't pay, hospitals have the same things, sometimes their bad debt ratios are up to like 60%, it's crazy how few people can actually pay for the cost of healthcare.

And so, what we're starting to see is we're starting to see the healthcare system, whether they're hospitals or payers starting to recognize that they need to play a role in fintech in order to deliver their products. So, for example, on the provider side or hospital side, they are all starting to put in place different payment solutions because a larger portion of healthcare payments is moving direct to consumer, either because that's deductibles and/or consumerization of more elective types of healthcare. And they are really partnering with fintech startups on different types of payments, not just buy now, pay later, but all sorts of different types of payment schemes and so they're recognizing they need to be in the fintech business. We might find this fascinating, but still for hospitals only 25% have digital payments, 75% still send you a bill in the mail and cross their fingers and hope you pay.

Peter: Yeah.

Abby: So, the whole payment side of healthcare delivery is ripe for innovation because they are leaving so much money on the table, the same thing on the payer side, what they're most interested is the financial stress because if they have a patient or plan member who's worried about being able to afford a procedure and they don't get the right procedure because they are worried they can't pay for it, that drives their healthcare cost because they go to the hospital so they can get the right procedure. So, they're starting and I'm seeing this in my conversation with payers, they're starting to recognize hey, we need to play a role in affordability and payments or else people are going to go to the hospital and this kind of really drives up our cost.

Peter: Right, right, that makes sense. So then, when you look at the founders that are coming across your desk and even the ones that you've invested in, I mean, I'd love to know is it across-the-board when it comes to age of founders, they could have some personal stories like you mentioned early on, can you tell us a little bit about the founders that you're talking to.

Abby: Well, I'm thrilled to say we've looked at about 900 businesses since we've started ad I would say all of those businesses, the founder has a personal story. One of the great things about what I do focused on the underserved market like older adults is that people are there and innovating because they care about the problem. And so, that's the kind of a given, everyone has a personal story, grandfather who have run out of money, a mother who, you know, was a caregiver and lost her job because she was care giving for her mother, there's a personal story so that is a given always, if you don't have a personal narrative, it has a disadvantage to the business.

We have been actively looking for founders age 50+, entrepreneurship is typically a game for those in their 20s and 30s and so I'm thrilled to say at least five of our 25 founders are aged 50+, but that is very unusual and very hard to find and so we're continuing to look and to be very aggressive on that front, otherwise, the founder profile fits the industry sector. Two thirds of our investments are in healthcare, healthcare founders have a slightly more female, I mean, it's not disproportionately female.

But there are more women starting healthcare businesses than say fintech. And so, our fintech founders look like fintech founders and our consumer founders look like consumer founders so I would say there is nothing really disproportionate about our portfolio founders other than the common passion. If you kind of, on the older adult side, the last thing I'll say is because I'm a female GP, there's just a higher I think affinity for female founders who are looking for female GPs on their cap tables. And so, 45% of our CEOs are women, not founders, CEOs which is definitely disproportionate to the venture capital industry.

Peter: Sure, that's great. Do you think we will see a flurry of activity of fintech founders starting companies focused on this audience and if so, what's it going to take or what will be the tipping point, what will change kind of this, you know, to make it so that people are focusing on this problem?

Abby: I don't think we're going to see a flurry, I think it will still be a handful of folks who want to take on these challenges because there's, you know, distribution's still a big issue with all of fintech, but the D TO C [Direct to Consumer] fintech that's kind of emerged over the past decade, especially what's going on in the market right now, I think you'll see a lot of D to C stuff slowing down a bit while the incumbents with their big brands and distribution are going to be the ones innovating. I really do think that's going to be happening in a big way. I do think these payments kind of side of things is going to continue to be and we've already seen it, you know, using across all payments, the whole payments industry continue to grow rapidly so I think that's going to happen in the spaces around older adults and aging.

But I think it's slow going in a way because we're just at the beginning, Peter, there's skepticism on whether this audience is valuable and whether this audience can be reached and try new products and there's, I'd say, stereotypes or ages points of views don't persist. But I will tell you in my conversations with our insurers, they are very focused on this population because it is the largest wealth transfer of a generation and when those life insurance policies are co-acted, they absolutely want to get the next generation and the same thing with the banks. They are seeing that credit unions are seeing their customers pass on and they want the next generation so I think a lot of the innovation you'll see either because they're acquiring startups, partnering with startups or building the ideas themselves are going to be driven by a combination of enterprises.

Peter: Interesting, interesting. So last question then, can you paint us a vision for what you see as a healthy future for fintechs focused on senior population?

Abby: There may be a few attributes.

Peter: Okay.

Abby: One attribute is that it's not one population and that we see businesses, particularly fintech businesses, understanding that this is a very heterogeneous market. So, single women in their 50s are different from married couples in their 80s and right now, our system treats them all the same. Point one is starting to have innovators understand the sub-segments and design products for those sub-segments. It's happened in neobanks, I mean, there's a neobank for every community these days. In fact, we just invested in a neobank for kind of pre-retirement folks called Sagewell. So, I think we're going to see that sophistication of segmenting the market, there's one aspiration.

And I think second aspiration is to be able to understand, because the math does not work, trying to squeeze the same amount of financial outcome from an individual when longevity and lack of retirement assets don't help them. We're going to have to get creative, like as you said, why can't we contribute to other people's IRAs, we're going to have to figure out some things to change the rules to help the math work better.

And then the last thing is we need visibility, we need founders who want to take on an issue and shout from the rooftops. I mean, if you think about what has happened with Silicon Valley's love of Bitcoin, you know, think about it, it just became a phenomenon, right, and everybody knew about it because there was the marketing and the visibility behind it. I was in a panel with the Milton Institute in LA a couple of weeks ago and they went down the panel with some very senior folks in the retirement industry and they asked each of us, what's your wish, if you could wave a magic wand, what would you want? And I said retirement and saving for retirement needs a new PR campaign.

Peter: Yeah.

Abby: Nobody talks about it, no one wants to do it, it's kind of like you eat your broccoli and we want to change it, like you want to live independently and have a flourishing 70s, 80s and 90s, okay, you're 25, get on it.

Peter: Yeah. The trouble is you're 25 and you can't imagine being that old.

Abby: No, no, but that's why it needs a serious marketing revamp.

Peter: It does, it needs PR campaign,, as you say. So, anyway, Abby, really fascinated chatting with you, great to hear about, learn more about your company and best of luck. It's a growing industry, at least you're not to worry about that, you're not....this segment is going to continue to grow for a long time to come.

Abby: Absolutely. Thanks, Peter, for the time.

Peter: Okay, thank you.

Fintech entrepreneurs like to talk about total addressable market or TAM, let's face it, there's no bigger total addressable market when it comes to audience segments than the senior market and it's going to get bigger every year, probably forever, now certainly for a long, long time as time goes on to seniors. They've already had the pandemic where they've sort of been forced to learn how to use digital banking services so I think there's probably a bigger receptivity now than ever before and keep in kind, as people age into the senior years, you're going to have more tech savvy people coming in. So, you know, if you've got a fintech service that can really be targeted to these people, I think you've got a potential massive, massive market to enjoy.

Anyway on that note, I will sign off. I very much appreciate you listening and I'll catch you next time. Bye.

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