PITCHIT FINTECH STARTUPS PODCAST NO. 16–TRENT BIGELOW

Welcome to PitchIt, the fintech startups podcast, one founder, one startup, one investor at a time. I'm your host, Todd Anderson, Chief Product Officer, LendIt Fintech.

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Todd Anderson: On Episode 16, we talk with Trent Bigelow of Abound. Abound helps the best businesses in the independent economy win by improving financial security, wealth and wellness of self-employed Americans. You know, with the explosion of gig or independent economy work, it's a real key time for this segment to begin getting the fintech and other technology options they deserve.

So, Trent and I both dig deep into the larger trend of independent and gig workers, the complicated tax scenarios that they have to deal with, when to put money away, when to send it to the IRS, working with various ecosystem partners, raising capital and a whole lot more. We had a lot of fun and I hope you all enjoy the show.

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Todd: Welcome to the podcast, Trent, how are you?

Trent Bigelow: I'm doing great, Todd.

Todd: So, I'd like to start these things off with just a professional background if you could give the audience a little bit of an understanding of kind of where you've been before starting Abound and where has your career taken you before getting to where you are today.

Trent: So, years back, I co-founded a startup and it failed, it failed miserably. It was really that complete lack of understanding of product market fit that drove me to then dedicate the next 12 years of my life as a User Experience Researcher. You know, as a UX Researcher I was helping a range of other startups better understand how users actually want to use that particular product to solve the problems that they actually have on their own terms versus what us founders think those users will do.

Along the way, while working on a client project, I crossed paths with my two co-founders of my company today, Alex Cram and Chris Labasky, they were two unbelievably talented engineers. The three of us, as freelancers, we really liked working together, but we kept noticing how much non-billable time that we all spent on busy work of being self-employed, you know, busy work like invoicing, time sheets, taxes and over the next five years, we iterated a B2C app that automatically detected our 1099 income in our bank account.

It calculated and even withheld our taxes so that we didn't spend what we owed, it even submitted these quarterly payments to the IRS so we didn't incur penalties or owe money on tax day. That app

was called Track, it was pretty much exactly what we wished QuickBooks would have done back then, but, actually, a year ago, while talking today, a year ago, the three of us realized that we kept building the underlying tax infrastructure that we just couldn't get from many third-party APIs out there. It became pretty clear that we could really help a lot more independent workers by opening up our internal tax infrastructure to the very apps that we thought were our competitors and it felt pretty risky at first for a few reasons.

One, we didn't know if it'd work; two, we spent years winning over those users only to give them away to a competitor and then three, it's pretty difficult wiping away much of the great product that you've painstakingly designed and maintained over time only to keep the underlying engine. But, honestly, looking back, I wish we had reinvented the company from Track to Abound a lot sooner.

Todd: So, related to founding a company, you mentioned you did it a while back, seems like you've always had at least some inkling of an entrepreneurial bug, did you have that bug always? On top of that, why launch when you guys did? You gave us a little bit of understanding of Track and Abound, where did the actual name Abound come from as well?

Trent: Let's start with that. Abound, literally, if you look it up in the dictionary, means to exist in abundance so what better name captures the sense of prosperity, you know, that we think every independent worker deserves. Our customers, the app that pay or serve these independent workers have a chance to transform soft employment and independent contracting into something that feels more secure like the safety net that comes with traditional employment while letting those workers still have that flexibility and freedom of being their own boss.

And so, for us, Alex, Chris and I and I think everyone on our team, we all like the idea of being our own boss. Many of us have been freelancers and so I think that if this infrastructure had existed and apps could do what we now enable them to do, we'd all still be freelancing. You know, I'd still be doing user experience research and I'd probably really enjoy it, I wouldn't have had to co-found a company to build these missing pieces.

Todd: If you can give the listeners kind of what is the Abound product set and, you know, who are your target customers?

Trent: So, if you zoom out you can think about under the US Tax Code and in many other countries similar, people earn two types of income. One is employment income and the other one is non-employment income so for those of us who earn employment income things are pretty simple. When we get paid, our employer withholds enough for taxes, maybe deducts or contributes to our health care or retirement or insurance, but for 68 million independent workers like Alex, Chris and myself, no one was withholding for us and no one was withholding for them.

It's pretty crazy because those 68 million independent workers, they're all left on their own to navigate tax payments and benefits because as far as the IRS is concerned they are their own employer. So, we think the immense challenge that this presents is a huge opportunity for the best businesses and

the independent economy to be the hero to these independent workers by actually building the tax withholding and benefit features right into their products. So, Abound's API means that these apps that pay or serve these workers, they don't have to build everything from scratch. They can focus on finding the right customers and building the best user experience possible.

Todd: Yeah. I see that the term embedded benefits, I think a lot of those in our audience have heard of Embedded Finance and so is it a similar process in that you embed the benefits like you would embed financial services within a larger or different service. And then secondly, is the product you guys have, is it only freelancer-focused?

Trent: So, I think you're right like embedded is the key word just like for embedded finance. Embedded benefits are the idea that you can actually take a feature of another third party provider say an insurance plan, retirement plan, healthcare or what we built out for taxes since that technology didn't really exist for the third party, is the idea that you can take someone else's technology embedded into your product stack, put it underneath the hood, but then as far as our users are concerned, again, going back to that thing embedded, the user doesn't know that this is some, you know, patchwork of different providers. They, actually, think oh, this is my neobank, this is my bookkeeping app that creates this great experience.

So, the difference between having these features and not is really the difference between financial security or insecurity for millions of Americans and our job at Abound is to really reduce that threshold to build these features really quickly. And then, your question of is this freelancer-focused only. it's a good question, I mean, the independent economy, as we call it, we think it's so diverse. At a high level, we tend to think of four major segments. So, first off, you've got gig workers on platforms, that's the one that everybody thinks about, right, they're trading time for money. Now, you go up a level, you have creators that are say monetizing their ideas and content.

Go up another level and you've got professionals, everybody from your graphic designer to your real estate agent, your accountant, your attorney, these are professionals that are being paid for their expertise. And, finally, at the top of the market you have things that look a lot like small businesses in the traditional sense; these are merchants who are selling goods or monetizing the use of their assets or services so those are everybody from your Shopify sellers or Amazon sellers or Etsy sellers. But, also, if you look at Airbnb, the dynamic around how people earn money on Airbnb, that's a lot more like an Etsy seller than they do an Uber driver.

But, again, if the way to think about this, I mean, in the gig economy it is employment versus non-employment income and so anywhere, whether it's non-employment income, there is a need to calculate, set aside and pay taxes as far as the IRS is concerned. So, anywhere that happens, there is a chance that balanced APIs are really relevant. One new example would be, you know, all this buzz about what's happening in the crypto space as more and more people start to trade and get crypto gains. They're also getting new tax liabilities that are obviously not being withheld on them.

Todd: What about say a company like ours at LendIt, you know, most of our staff that falls into the bucket of employee, they get their taxes withheld, but we work with various contractors in addition to our fulltime staff. Would it suit us, to potentially look at an option like this to service the contractors that we work with?

Trent: So, the question would be, you know, what tools…..you sound like you're paying contractors, right. So, the first question to ask is what tool do you pay your employees? Let's say something like a payroll tool like Gusto or ADP or TriNet, those should be the tools that also withhold for taxes and benefits for the independent contractors that maybe you use those tools to pay them.

So, I think in the future this is a huge opportunity for the payroll space to maybe even, not just add these features, I think these are things that independent workers might even pay for. They could potentially monetize independent workers who opt in to a withholding experience that is provided by the payroll tool that employers like you use.

Todd: I think a lot of people have heard that the pandemic has helped to accelerate this trend. People begin to think of their lives in a way that I'm going to find a lifestyle that fits me and then I'm going to find the employment and income that fits that lifestyle versus I have to get a 9 to 5, how do I fit everything else I want around that 9 to 5. I think the equation's beginning to change, but what are some of the top-level impediments to people thinking that?

Is it always or mostly go back to the tax scenarios can be really, really complicated? Is that kind of the number one thing and that hey, I have this payroll, taxes are taken out, I never have to worry about it versus this is a passion, but it could make life very, very complicated.

Trent: I mean, that is definitely what we hear from lots of independent workers. You ask them, would you like the freedom of flexibility to earn, earn what you think your time is worth, pursuing your own career track, your own career ladder, becoming your own boss. I mean, the answer is often a yes, but then you ask them why aren't you doing that. Well, I think one of the biggest reasons is because it just feels riskier to be off on your own and as an independent worker and it's riskier because not only do you not necessarily know when your next pay check is coming from, but once you get that pay check, you have to do, like you said, you basically have to be your own HR department.

You need to figure out your taxes, you need to make sure you don't spend it, you need to get it to the IRS and then, of course, the state on a quarterly basis. For the most part, traditionally, there have no tools that have been right there that do that for you, let alone do it automatically. The other thing is that it's true, independent workers have, by nature, a more complicated tax scenario compared to employees and I think the biggest reason for that is that the way that independent workers often get paid is way more fragmented.

Ideally, you have multiple clients because you're reducing that risk of relying on any one client, but that means you're getting paid in multiple different ways. And so, each of those payments are probably through a different system and one of the biggest things that we see as a challenge that we're working

to solve is that today these systems don't talk to each other, let alone withhold and automate things for you.

So, if more people are going to want to become an independent worker, we need to re-create the same sense of financial security that employees have. You know, the apps that pay or serve these independent workers will need a way to talk to each other. This isn't a new concept like in other aspects of the financial stack, it's always inter-operability and we think that no one player, you know, let's say Uber or a neobank, no one player is going to be able to effectively do this on their own without truly committing their entire business mission to this inter-operability like we are,

Todd: Do you think as someone who was an independent worker build a tool for independent workers, are we just continuing on this trajectory like this independent work. I've seen some studies that say it will eventually take over and be the majority of the workforce, do you see that happening and what could maybe potentially be some roadblocks that stop that from happening?

Trent: Even before the pandemic, you know, numerous studies point to the continued growth of the independent workforce. So, you might be referring to the study by Upwork that indicates that by 2027, 50% will cross that half line, 50% of all American workers will be in the independent economy in one form or another. Now, I'm not saying that we're all going to give up our day jobs, but it's safe to assume that least half of us will have some form of non-employment income and it will probably grow over time and it will probably increase the number of sources.

The thing that will slow us down from getting to that, what I think is already locked-in as reality….you know, I think that states are trying to do the right thing by expanding the safety net for independent workers. I mean, if you look at AB 5 in California, I think there is probably a good intent behind that, but plans or intent aside what will end up happening has created a lot of confusion and complications for essentially small businesses all the way up through large businesses that want to hire independent contractors on a flexible basis. They want to bring in specialists when needed without having to spin up an entire employee and from a business standpoint that just often doesn't make sense.

So, I'm not saying that regulation is the enemy of progress here, but I am saying that a lot of independent workers got essentially scooped up in the net when California was trying to essentially really target the gig economy, the gig platforms which ultimately got to an interesting solution in Public Proposition 22 where the platforms are actually, you know, raising some incomes and providing healthcare subsidies, they've got some more interesting things coming down. But that's the thing, like I'm watching very closely for where governments try to do the right thing, but then there are unintended consequences. There's so much innovation that is happening so quickly, I kind of get the reaction to want to do that.

Todd: What about someone like yourself, it sounds like, you know, you're passionate certainly about the space, but at the same time you created your company. How do you deal with that dynamic of being an independent worker, but starting your own company and now, I'm assuming, you know, having salaried employees and everything. It's got to be interesting dynamic just personally.

Trent: So, at Abound or even in the early stage of Track, we naturally gravitated to working with freelancers, to independent contractors. It, definitely, started out where we would work with, you know, a UX designer or UI designer on a specific project that may or may not continue or evolve based on our needs. And I think that naturally is so convenient for both the worker who doesn't know if he should take a big risk and fully commit to a startup, especially the early and driven days, and I think it's obviously in the company's interest to try through and experiment on projects and people until you find the right fit.

So, I think that that's, actually, not a bad strategy, but it's true, as we grew up in whatever time, we needed to show a traditional fulltime employee commitment, it's a two-way commitment. That's not to say that we don't still have independent contractors or consultants where it's relevant and, again, I'm still not thinking that the entire US work force has to be an independent contractor. Not everybody has to work for themselves, but I do think that if we made it easier for them to do that, there will be more people to start to have non-employment income on the side.

Todd: I recently spoke with the CEO of Lance and I saw that on your website you have kind of a testimonial with her, so how does Abound work with various partners like Lance, you know, kind of what the difference is. It feels like there are some similarities between you and them.

Trent: So, the similarities probably come from the fact that both freelancers facing neobanks like Lance and Abound's API underneath some of those features, we have a shared mission in terms of creating financial security and more independence for America's workers by solving those problems that, you know, let's say your normal traditional bank or your normal traditional bookkeeping software just isn't doing for freelancers. Lance is a great example of a startup that truly understands what freelancers need, but, like I said, can't find it in that traditional bank or neobank. And as I'm sure, Oona, the Founder of Lance, shared, you know, gone are the days that banks are a place to store your money.

The next generation fintechs like Lance and others that are APIs power, they're offering financial concept, automatically detect income, deduct expenses, calculate/pay your taxes and a lot of other things down on the roadmap so why would you want another bank that did less. So, at Abound, in terms of like how we're different, Abound's role is to make it much, much easier and cheaper and faster for the apps like Lance, that interact with non-employment income, make it easier for them to stand up tax and benefits features that increase, you know, their retention monetization of compliance of their workforce or their users.

It's kind of like what Stripe did for online payments. No brand should really have to build out these features themselves. We think that tax and the benefits and the infrastructure, it should not be the core business of our customers and of many apps in the independent economy. We think that Lance and others should be serving and delighting their users, that should be their focus.

Todd: Ultimately, how do you view yourselves and kind of the broader fintech ecosystem? Is it kind of a new age payment/payroll benefits platform like maybe the 21st century version of a TriNet-type? I'm just kind of curious how you guys think of yourselves as kind of in the broader fintech ecosystem.

Trent: I would definitely say that we're not competitive with the payroll category. If anything, we could be a component inside the payroll category to help TriNet, Gusto, ADPs of the world replicate that same amazing safe withholding experience they already give today to employees, but don't give yet to independent contractors on the platform, that's how we can partner and help. So, I'd say you can think of us as something much different than anything that exists in the market today.

We see ourselves as a real-time tax ledger that makes the banking stack much more valuable to independent workers, you know, or those that have non-employment income. So, developers love our built-in integrations inside the Banking as a Service platform like say, for example, Unit or data providers, you know, for example, say Plaid. So, developers want the different specialist components in their stack to not just play nice with each other, but to really make the sum of the parts so much greater than the whole by being, again, inter-operable.

Todd: I want to shift a little bit about just, you know, the company generally kind of building the team. How have things been going in terms of growth of the team, how large is the team? Looks like you guys are still remote, do you have plans to potentially open an office or I'm assuming as someone who has independent work in their blood that the remote workers' kind of where you guys will stay?

Trent: Our growth story…I mean, it took us five years to get to five employees, it took us less than a year to get to 12 and we're doubling again over the next month or two to 20. We're growing very quickly because I think we finally…again, I don't have to call it product market fit because they say product market fit doesn't usually feel very good, you're overwhelmed and inundated, but we are at the point now where we are in a stride really with customers, where we're taking their feedback, improving the product. They're pointing us to additional or adjacent features that need to be developed and, you know, we don't necessarily make all of them, but we're making many of them and things are clicking in a great way.

Bigger and bigger clients are thinking let's buy not build some of these technologies. The good news is that the company has always been relatively remote, you know, starting with Alex, Chris and I, we've lived in different cities. You know, for the last couple of years we did have, you know, most of our people in San Francisco, we made the early bet on, I think back in March of 2020, that this COVID thing looked like it was going to be disruptive. Our office lease was up in June, but let's go ahead and lean-in to having a completely distributed team and, again, this COVID, as you know, like COVID just accelerated some pre-existing trends. You know, there's truly amazing talent outside the Bay, even though we're a Bay area company, I think that we need to build beyond just the Bay.

Todd: I mean, is that ultimately the biggest benefit is that you no longer have to think of anything, in terms of location, for talent?

Trent: I think we get to think bigger on talent, I think we get to focus more on the types of people and you're using tools to find those people, you're using networks to find those people, they're not having the constraint of trying to fit them into a particular location. So, I think that's a lot easier, but, I mean, again, I don't want to sugar-coat this. I think any founder that's going through this or going from you know, any on-site team to having a distributed team, there's some growing pains or some lessons learned.

I think we are all at the point now….I think everyone is convinced that no one wants to be told what days to go in the office or how much they should be there or even where they should live and that kind of strikes to…our attitude isn't kind of work very hard. I don't really like being told what to do and I certainly don't like telling others what to do. So, there's that, it's kind of an obvious frame, but then everybody I think at every team realizes that , you know, not having face-time to the level we had before is going to cause some strains on the collaboration.

I don't want to pretend that things are 100% better, it's just like I think we're all just navigating these trade-offs. So, find the talent wherever they are, become a more competitive company and more diverse company, but we have to be way more intentional about what we're able to do on-sites together, do retreats together. I also think that as we grow, we are starting to think about like could we have it so that there are pods or teams of people in different places that are growing around key people in the company and that will be probably somewhat organic. So, I think the future for us is about teams and not about offices.

Todd: What about the balance of, you know, as long as you're getting your work done, we really don't care when you get it done, in terms of times of day and stuff, I mean, how do you balance kind of having at least a little bit of structure because I'm assuming if someone's calling a client, they're not necessarily kind of be available at 10 pm or 11 pm at night and, for whatever reason, that's a comfortable area or time for that person to work at because, you know, kids, maybe they're taking care of a sick parent, whatever it might be, how do you balance that of hey, I'm getting my stuff done, but at the same time there's a little bit of structure to a week.

Trent: I don't think we're reinventing the wheel for our early team and we've grown this sense of performance culture around objectives and key results. So, we have company level OKRs, we have organizational team level OKRs and individual OKRs and so we spend a lot of time up front thinking through what is the most important outcome that we need for the different work we're doing, how do we know if things are not working the way we want, how do we call for a release if we don't have people spinning their wheels and wasting time or exerting effort in work that need not be done.

I love the culture at Abound and the work culture at Abound is often about can we find an innovative kind of an 80/20 execution of something, can we do it with the least amount of effort, the least amount of work, the least amount of risk. I think that if you come from a culture where you're trying to be really efficient and thoughtful, that really does tend to lead the people, you know, one, trusting each other kind of do the right thing, but then also give each other space and autonomy, again, going back to independence being like one of our core values. If you build a team of incredibly independent people,

you'd be surprised as to how efficient they are because independent people rarely put up with nonsense or busy work.

Todd: I believe you guys raised some outside capital, how was investor appetite and then any advice for, you know, fellow founders that are looking or maybe going through the fundraising process right now and kind of maybe something that was key to you raising money, obviously not the secret sauce, but just maybe some things that helped on your process.

Trent: My team, my co-founders and I are coming from a place of pre-pivot of our company when we were tracked to direct-to-consumer product and I don't mind admitting this publicly. I think I know why VCs were excited to talk to us, but they never invested and I don't blame them one bit and so this is like a challenge to founders out there to just kind of be critical and think about it, we're not making it easy on them. In our case, we were so focused on building infrastructure that we didn't do a good job on focusing on, you know, distribution and user acquisition the way that say Lance and others are doing a great job.

So, the longer we were out there raising money, basically showing this inevitable obvious future to investors on the greater independent economy, the more I think kind of off-path we were. We focused on getting to revenue for our company and not relying on VC money for our consumer product, route the product to 50,000 plus users, I think that we never thought we were going to be a venture-track company again. But when we made the re-invention of the company from B2C to focus on infrastructure that is where we got on the radar of Point72 Ventures, an amazing fintech VC and I think it was because they kept hearing about some of the customers that we were serving and, again, we weren't out there trying to raise money.

Point72, in particular, personally joined our Board, Dave Mader, he was the former Chief Product Officer at Marqeta. He and the whole team took time to get to know us, understand what we were working on, kind of provided, you know, advice and mentorship without much expectation of return. As soon they got the inkling that we were on to something and we needed to scale with resources, again, they were, as a VC, in the right place at the right time, able to preempt any kind of seed process. So, we're going back out for, you know, I'm sure that we will raise successive rounds and the dynamic would be different. I'm not really up to speed on what the market's like, I know that other founders have said that it's pretty crazy.

You know, I think that maybe by looking around it looks like a lot of deals are getting funded with or without a lot of traction underneath, I don't really come from that world so I can't talk about that. But, what I would say is that even if it looks frothy out there, founders need to remember that 75% of the deals, if not more, that VCs look at, they'd say no to for any infinite number of reasons. And so, I don't think that dynamic has changed, I think what has changed is that you get a lot of really smart people, especially right now, who feel comfortable enough to go off on their own. Again, this is part of maybe the independent work macro as well, they're going off on their own, they're taking risks, the cost of infrastructure also to start a new company is so much lower than it's been in past years.

Todd: Yeah, for sure.

Trent: So, there's a lot of good people building great ideas, you can't help but have a lot of deals happen.

Todd: I'd like to end with some fun, we have a few minutes left here. Do you have a favorite book and then the last book you read. If you're not a big reader then do you have a favorite podcast you listen to? I had one guest who watched instructional YouTube videos so whatever works for you, in terms of consuming information, go with that.

Trent: I don't read books nearly as often as I like to. My favorite book of all time is probably a book called "All the Devils Are Here" by Bethany McLean, it's a fascinating account of the 2008 financial crisis, but going all the way back to the 1980's and trying to understand the history of how it got there.

Last book I've read is…..I usually just read books for work now so last book I read was "High Output Management" by Andrew Grove, but honestly, I think if anyone's considering reading that book, it's a good one. I think a better book more actionable for founders is a book by Richard Koch, "The 80/20 Manager."

Todd: Do you have a favorite sport or sports teams that you root for?

Trent: I'm a total science nerd, not to say I don't like sports so I'd say that if sports is a combination of Physics and teamwork that would make, hands down, my favorite sport would be sailing. So, Oracle Team USA is my local hometown team here in San Francisco, but my heart is definitely with Emirates Team New Zealand.

Todd: And then last question, biggest inspiration in life?

Trent: That's easy. Again, it's just rebuff, I'm inspired by our nation's founders in their Declaration of Independence. Americans, we want to be, you know, the masters of our own destiny, we want to blaze our own path, chart our own course, have the freedom to become and be who we want. I can't think of anything more inspiring than that.

Todd: Trent, I greatly appreciate your giving me a few minutes. So, thank you for coming on the show, I wish you and the team at Abound continued success and, hopefully, sometime in the future we can get you back.

Trent: Wonderful, great to chat with you, Todd.

Todd: Yeah, thanks so much.

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Thank you for listening to the latest episode of PitchIt, the fintech startups podcast. I encourage you to take a few minutes to write a review or rate the episode. Ratings and reviews both help us to improve the show for future episodes. If you're interested in learning more or would like to be considered for a future episode, please reach out anytime to Todd, T O D D, at lendit.com and until next time.

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