LendIt Fintech

PITCHIT FINTECH STARTUPS PODCAST NO. 31-GAURAV SHARMA

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.

(music)

Todd Anderson: On Episode 31, I talk with Gaurav Sharma of Capitalize. Capitalize helps you keep track of your retirement account when you move from one employer to the next. What they do is they help you choose a new retirement account so you don't lose access and advantages of the old retirement account and they handle all the paperwork at no cost to you, the consumer.

I thought this episode was particularly interesting because I didn't really know much about this problem and so it's fascinating to hear all the different ways that people lose access and lose track of this retirement savings. Some lose it because they leave it with a previous employer and so it kind of just sits in that old account, some decide, alright, this is my money so I'm going to take it out where you lose 30% plus of your money to the taxes and fees.

Gaurav and the team at Capitalize really solve this problem by simplifying it and taking all the headache away because there is a lot of headache when you move from one employer to another and taking that previous 401(k) account, for example, try and taking that with you. We talk about how common a problem this is, how aware people are of the Capitalize solution, why retirement accounts need to evolve like many other financial accounts, especially now that we're living in the digital age, raising capital and a whole lot more.

You know, before we go ahead and get into the episode, I just wanted to ask if you, as a listener, could take a minute, please write a review. I use those reviews to help make the show better and if you have specific comments, you can always reach out at Todd, T O D D, @lendit.com so without further ado, Gaurav Sharma of Capitalize. I hope you all enjoy the show.

(music)

Welcome to the podcast, Gaurav, how are you?

Gaurav Sharma: Hey to everyone, good, good to be here.

Todd: It's great to have you here. I'd like to start off if you could just tell the audience a little bit yourself, kind of what brought you to start Capitalize and where were you prior to starting Capitalize?

Gaurav: Happy to do so and again, thanks for having me on the show. So, my name is Gaurav Sharma, I am the Co-Founder and CEO of a fintech company called Capitalize. Capitalize is a platform that helps people find and rollover or consolidate their old 401(k) so, you know, if you've ever had a job and had a 401(k) account associated with that job, you'll know that there's really an effective way, in some respect, to save for retirement, right. The money comes out of our paychecks, it's invisible to us a lot of times and it's a tax efficient account, the fundamental problem though is that we change jobs every three or four years. So, as employees, every three or four years, we need to figure out what do I do with the money that I've saved and how do I go and interact with a brand new 401(k) in a new company.

Unfortunately, there are a lot of people who will either cash out those accounts or leave them behind and we'll get into that later on the show. So, what we did is we built to process a platform that helps the user find that old account in case they misplaced it and move into a new account of their choice meaning it's a really tough first step to then help folks, you know, save for retirement.

So, it's interesting, as you can probably tell from my accent, I did not grow up here in the US, I am a countryman of one of your colleagues at LendIt. So, I grew up in Australia and I did most of my school there in my university there and I moved here in the US after college, actually. Like many misguided youth, I decided to start my career on Wall Street, now my timing was impeccable so I started my Wall Street journey in the summer of 2008. (Todd laughs)

As you'll recall, that was a fairly difficult time so the calm right before the storm and ironically enough, the group that I was with, the group that created UBS inside the investment bank, and the group that I was in was the financial institutions group. So, our job was to advise banks and fintech companies and insurance companies on things like M&A and strategies in capital raising. And so, I show up, you know, from Australia and really excited to start my Wall Street career in July of 2008 helping US financial institutions grow and scale and do deals and, you know, three months later they were all collapsing. (Todd laughs)

So, I'd like to think, wasn't cause and effect, you know, my arrival did not precipitate the global financial crisis, but it was certainly a very interesting time to be on Wall Street. So, you know, that was the auspicious start to my career and I was in investment banking for about a year and a half and learned enough and realized that I was much more interested in investing actually and in particular, investing in the public market.

So, I transitioned into the hedge fund industry, suddenly a hedge fund career at JP Morgan and then was recruited to help manage the portfolio of a large independent hedge fund called Greenlight Capital which had been founded by David Einhorn in the mid-90's and David turned it into one of the preeminent equity investment shops in the country, did that for a number of years so had a chance to learn from him and invest. Did that for a number years, really enjoyed it, but towards the end of my time there became very fascinated with the retirement savings market and some of the things wrapped around fintech and ultimately left to found what is now Capitalize.

Todd: Had you always wanted to eventually become a founder, you know, or is it something that you kind of accidentally fell into or was it always on the path you were just kind of working through different jobs to kind of get to the point you wanted to and then maybe start your own firm?

Gaurav: It's interesting, my Dad was an entrepreneur and so I grew up with a Dad who had started a number of businesses and I've seen that and I've seen the excitement and I've also seen the stress involved. I knew what that was and I think on some level, I knew that I ultimately wanted to be my own boss, right, like I wanted to strike out on my own and build a company, a really golden institution that would hopefully outlast me and so I think I had that desire. You know, I'd be lying if I said to you that I always knew it was going to be a fintech company or it was it was going to be in the retirement savings market, it is certainly not true, but had the idea like hey, I want to grow something, I want to build something, I want to be the person there from day one. I think I definitely had that desire from a pretty young age.

Todd: Before we jump into exactly what Capitalize does, how did you come to the name Capitalize?

Gaurav: (laughs) We had a place hold name that was just a place hold, it wasn't a very good name and we then went through kind of like a naming process. So, one of the companies that I admire is Policygenius, it's a New York-based insurtech company and in some respects there are some analogues between what they're trying to do and what we're doing for IRAs and insurance products in a lot of ways and they had a similar dynamic where they had a very confusing first name, initial company name and they then went through a very kind of methodical way like a re-naming process and Jen, who's the founder of Policygenius, had actually written a post on this like a book or something, it's still out there.

So, we ended up spending a few weeks on ideating friends, kind of brainstorming, did a whole bunch of things and we ended up doing just (garbled) ended up kind of like creating surveys, putting them up to surveys, trying to assess fit roles, affinities to different names, what they thought was modern, what they thought was trustworthy. On the basis of that, we ended up with Capitalize.

Todd: So, give the audience an overview, exactly what do you guys do and ultimately, who is your target customer?

Gaurav: So, the basic problem is retirement accounts are tied to employers, right, in today's benefits world when they don't necessarily need to be, but that's the way the model has evolved. There are about 15 or so million people who change jobs each year with a 401(k), that's the typical way of the market. Obviously, this year with the Great Resignation is a typical ratio with COVID, it was also a typical situation and is well known for that, but the truth is over 15 million people would change jobs each year.

A third of them, so about 5 million folks, will just cash out their accounts and they'll pay taxes and penalties so there is almost $100 Million that gets withdrawn each year from the 401(k) market by people who are changing jobs which is really unfortunate, right, because most of the time they don't actually need that money, but withdrawal is driven by convenience.

Todd: What percentage of that, you mentioned the withdrawal, the fees and the penalties, what percentage of that is lost to taxes? So, is it 10%, 20%?

Gaurav: Roughly, 30%.

Todd: So, a third of what they've accumulated at whatever job they're leaving is.....

Gaurav: That's right, on average 20% income tax and then a 10% penalty that goes to the IRS. So, that's close to $30 Billion that gets paid to the IRS each year by folks who are changing jobs and cashing out their 401(k) so it's a really big number. What's worse is once that money is withdrawn, it loses the chance to grow and compound, right. So, if you withdraw, you pay taxes on it, you spend it and particularly, you don't need it then, you know, the opportunity cost is lost in there. So, that's kind of like cohort number one.

Cohort number two are folks who will leave their money behind for some extended period of time. Now, I want to put my hand up, I've done that, right, my co-founder's done that, my friends and family have done that, it's a battle of least resistance so there's 3 million people a year who will leave their money behind you know, 401(k) with a former employer so in aggregate now.....

Todd: And it just sits there?

Gaurav: Yeah, Most of the time it just sits there. There are some circumstances where it can be transferred to another institution, but the money doesn't go away, they move institution, but it's still your money.

Todd: And is it still accumulating say if you did a mix of stocks and bonds, is that still happening when you leave or does it just sit there and gather dust, essentially?

Gaurav: So, it depends. If it's less than $5,000, it will actually oftentimes get transferred into another account, it’s called the safe harbor IRA. You have a 401(k), let's say you saved $2,000 in it, you change jobs, the employer can actually transfer that out, it's called a forced rollover and it will go into one of these IRAs, a safe harbor IRA with the money, will actually collect dust, it will sit in cash because it gets defaulted in cash. If it's over $5,000 then if you made some decisions about what to invest in then it'll stay in that, but the problem is that back asset allocation that makes the stocks and bonds get stale, right.

So, you know, it might have been good for you when you were 25, but if you've left it for ten years, you know, it's not right for you anymore and so you lose the ability to stay on top of it. The other thing you forget about is fees, right, so you lose sight of what fees are embedded in your 401(k). And so, we published some research early this year, we said we estimated that there were 24 million forgotten 401(k)s in the US, 401(k)s that have been left behind with former employers with $1.35 Trillion of assets, such a huge sum of money that is effectively dormant, under-optimized, it's just sitting there.

Todd: Wow, that's a lot.

Gaurav: It's a lot. Now, the reason people cash out or leave their money behind is because the process of actually transferring the assets, which known as the roll of the purses, is just such a pain. It is an old school, antiquated process that is completely full of paper, phone calls, faxes, checks in the mail, notaries and spousal consent. So, it's a 1970s maze of nightmarish paper work and administrative procedures and there's no uniform way to rollover a 401(k).

So, the process is different if your account is at Fidelity versus Vanguard versus ADP versus Paychecks, etc. and so that is the pain point that we are solving first. We are modernizing ways a consumer will locate their old 401(k) so they can look at their old 401(k) so they come to us, they type in the name of their former employer and we'll tell them hey, your money right now is at Vanguard or it's at Fidelity or it's at ADP.

The second thing that we do to them is we will actually help them decide where to send the money. Most of the people who kind of lose their money will move it into an IRA so we help them decide hey, what type of IRA is right for you and which institution and then we'll help them open the account. And then last thing that we do is we go and submit those rollover requests on their behalf to get the money from those four or five legacy institutions to that one new account. They come to us with almost no information besides the name of their former employer and what they end up with is all of their assets in one account where they can see it, they can make sure it thrives so they can minimize their fees.

Todd: Do most people know what a 401(k) is, what IRA is, what a Roth IRA is because, I mean, I've gotten to the point of knowing it, but when I first went into the workforce it's kind of you get this, you know, a lot of times a benefit from an employer, sometimes they match up to a certain amount or they match part of a certain amount and it kind goes into an account and you essentially forget about it. Is there a lot of awareness about what the accounts are and what the differences are?

Gaurav: You hit the nail on the head which is the longer you've been in the workforce, the more widely you know, right, so when you start, you know, during your early 20's, first job, you don't have that much familiarity. By the time you get into your early 30's, you've had potentially three to five jobs, if you're lucky enough to have 401(k) you're probably pretty familiar with what a 401(k) account is and you've probably, at some point, come across one right now.

Now, there is still a decent amount of confusion, right, what is the difference between a 401(k) and an IRA, when should I use one and not the other and so part of what we do is we educate consumers on a bunch of these concepts to make sure that they know the differences, but I think most of the time when you're in your early 30's you get some sense of these things.

Todd: So, in terms of you go from one job, you go to the next job, you go to you guys, you roll it over, now you have an IRA and you have a 401(k) in your new job.

Gaurav: That's right.

Todd: Are those seen as completely separate accounts and they act separately, can you take what you're putting into a 401(k) and just put it right into the IRA and not worry about the 401(k)? How does that work and do employers also contribute when it comes to hey, I have a 401(k), but I have this IRA, I want to put the money there, do they match there?

Gaurav: So, the IRA is an account that you open up on your own, right, so it's in the individual retirement account, you can open it up at any institution. You can go to a Fidelity, you can go to a Betterment, WealthFront and Alto and go and open an IRA so it's in your name, you can draw it. Let's say you use your money into an IRA through Capitalize at one of those institutions we're partnered with a bunch, you go to your next job and you have a 401(k). At that job, you should absolutely contribute to that 401(k) because it's a really effective way to sort of contribute the employer might match.

And so, the way we like to explain it is that the IRA is kind of like your pot of money, it's like a pot that you carry with you as you go from job to job to job and in each job you're sort of saving inside a 401(k) and when you leave, you transfer it to your pot, your individual retirement account. And so, that's generally the way most people would do it, use the IRA account like a vehicle to take or receive the money that they've accumulated inside a 401(k).

Now, why do they do that, right? So, one of the reasons people do that, the IRA is a new name, you can open it wherever you want, it's like a bank account so you know exactly where it is, it's not tied to an employer and if you're still inclined you can get a much broader range of investment options, right. So, on average, inside of a 401(k) it is something like, you know, 15 investment options, a lot of ways through ATFS, if you want to invest a little bit more actively then an IRA can layer into that.

Todd: So, when you're moving to the IRA, you have this pot of money you have the 401(k), arguably the biggest reason why you go into the IRA is you're not going to be killed with fees, right, and taxes so if you rollover you have the option, I'm going to take the money out, I'm going to be killed in taxes and fees, you said at the beginning, 30% cut, you roll it into this IRA through Capitalize, do you have any of those fees. I know I saw on your website and it says that you guys take away the fees and it's essentially free, do I have that right?

Gaurav: So, we're a free platform to the consumer, the consumer can use us to rollover what's in the IRA at one of our partner institutions like, you know, SoFi and Betterment and Volta and if the customer does, we get paid a referral fee by those partners and that allows us to keep the rollover platform free for the use of the individual, right.

So, you're exactly right, a rollover is a tax-free transaction so you're transferring it from one tax advantaged account, a 401(k), to another tax advantaged account, an IRA and that money gets to grow tax-free. If it's a traditional IRA, that money gets to grow tax-free in exactly the same way and you'll pay taxes when you ultimately reach for it. And so, it's a tax-free transaction to transfer and that account has the same tax advantages as a 401(k) would.

Todd: Essentially, it makes more sense like you said, you have this pot of money and then you changed job 20 times, you could just throw money right into the pot over and over again, that pot grows at the same time that your active pot, your current employer grows.

Gaurav: Yeah, because like look, imagine you having 20 of these employer-linked accounts, right, that's just a nightmare and that's what people find themselves, that's part of the problem that we're solving. Let's say you start work at 22 years old, right, and you retire at 65, so roughly 40 years and you changed jobs on an average every three or four years so call it you have like 10 to 12 different employers and let's say most of them have 401(k) so you end up with about ten of these 401(k)s. Are you going to try to manage all ten of them actively like they're all going to have different fees, they're going to have different investment options, right, so impossible for you to manage that.

Whereas if you transfer the money as you go into an IRA that is a single account that stays with you, right, it's like, hey, this is my account, I know what fees I'm paying because I opened it up and I know exactly what this is invested in, it's a much easier route and that's what a lot of people do it. So, meaning there's roughly 5 to 6 million people who rollover each year into an IRA and in aggregate, they transfer close to $650 Billion so we think that number would be a trillion dollars. It's a very popular thing to do for all these reasons.

Todd: You know, in hearing you talk about it through our conversation here, it seems like a no brainer, but what's the impediment, what's stopping this from becoming, you know, so natural and it becomes ubiquitous and everyone does it and it's eezy peezy.

Gaurav: With due respect to the process itself, the reason why people don't do it when they should is because it is one of those very painful, cumbersome, manual experiences, right, that is why in our opinion, more people who are eligible to do it don't do it. That's kind of our approach to the problem which is let's make it simpler, let's move it online. Let's actually provide human support as they need it, alright as they're going through the process as well and if you do that they're much more likely to do this.

Todd: Moving to more of an existential question....

Gaurav: Hmm, I like those (Todd laughs), hopefully, I can give you a good answer.

Todd: ...do we need to change the way we think about like retirement accounts, I mean, it feels like some of the stuff is like you mentioned, it feels like it's 1970 stuff. We've moved into a new era, moving stuff these days, moving your money is almost as fast as the snap of your fingers, why haven't there been real innovation for these types of products when we're innovating everything else in fintech. Is it just apathy, people don't understand it or it's just that they haven't gotten to it and you're kind of maybe one of the first movers and it's starting to move into that direction.

Gaurav: You know, it's interesting, your back's in the history. If you look at a market or a problem today and you're like this doesn't make any sense, right, I think that's what you're saying. I agree with you all the way, it doesn't make any sense. In you kind of trace back to history and you figure out why, the retirement savings system in the US was never designed, there was never a moment in time when the Federal government said, you know what, let's come up with a model of saving and investing for retirement that is actually easy to use and accessible to people.

Instead, what happened is you had companies in the post World War II era that would say, hey, I'm going to give you a pension, if you come work for me, I'm General Motors, I'm Ford or I'm IBM, come work for me for 20 years, 30 years, at the end of that I'm going to give you a pension, I'm going to take care of you, right. Obviously, people started changing jobs more and companies moved away from providing pensions and they kind of discovered this section……

Todd: Was it the cost of the pension or is it that people weren't staying like they were. You know, I know my Dad, he worked at the same company for 50-some odd years.

Gaurav: Right.

Todd: He had a pension and then he'd come back to me, I've never been offered a pension at any of the jobs I've had.

Gaurav: That's right. Pensions are basically going extinct, it's for too many reasons. One, people change jobs more, right, so gone are the days of being at a company for 50 years, it's very uncommon these days. Frankly, there's some really good things about it, it's just not as common these days. The second reason pensions have gone extinct is because there were a bunch of bankruptcies in the 70s and 80s where a pension, if you think about it, is a liability.

It's a promise that you're making as a company to your employees that hey, I'm going to pay you a bunch of money when you leave and such a liability that has to go on the balance sheet. And what happened in the 70s and 80s was a bunch of companies didn't fund that liability corectly so they didn't put enough assets aside and those assets didn't grow and so they ended up with this big unfunded pension liability and that actually precipitated or worsened a bunch of Chapter 11 bankruptcy filings.

So, companies are like people are changing jobs more plus I don't want to have this happen to me, it's a pain and so let's move away from the pension model and what happened was they'd discovered this section of the Tax Code called Section 401(k) which allows you, as a company, to provide some tax advantaged money to an employee, right, and it allows them to put away a certain amount of their money tax-advantaged, it was never designed to be a retirement savings system.

So, fast forward to today, you have this messy situation where companies will provide 401(k)s and that's a default model, but it was never really designed. Do we need something different? I think it's a really good question and I think if you and I sat down on a whiteboard to design the retirement savings model from first principles, it would look nothing like the one that we have today. And so, how do we get there, right? I guess in theory you could get there if there was a Federal government overhaul of the system. I'm very skeptical about that happening, right, for one, that's a separate conversation that we can have, very, very skeptical of that happening and so you kind of have this hodgepodge model.

The way we think about it is like look, we can use technology to simulate the kind of experience that we should have which is portability, the feeling of portability, right. I can take my money with me in a seamless way as I go from job to job and that's something that we're very interested in doing at Capitalize. Now, I will say there's been some innovation, right, so companies like Guideline in the 401(k) space, they are trying to provide a lower cost 401(k) for small and medium businesses by using technology more efficiently, they can lower cost, there's been some innovation there, there's been nothing structural. The existential question, there's been nothing structural like that.

Todd: I saw that you guys had an accolade from Time Magazine, how much does something like that just helped the story, helped the awareness? Do you need something like that or, you know, is it just an additive that it just kind of helps super charge you guys a bit?

Gaurav: It's definitely like a kick in the teeth, as my old boss used to say. You know, we're really honored we were featured on Time's List of 100 Best Inventions 2021, very flattered, you know, to be alongside some really innovative brands there and yeah, looking at it, it absolutely helps, right, like it helps validate us in the mind of the consumer, in the mind of other players in the ecosystem offshore, but it's also something that we need, right.

I think at the end of the day, we are building a product that's needed, we're solving problems of consumers. What matters most is are we delighting our users, right, are we serving them effectively, are we finding new ways to serve them, are the existing ways getting better. So, it was certainly nice, but what is more rewarding and motivating for us is knowing that we're helping people get their retirement savings back on track.

Todd: Where do you guys view yourself in the fintech ecosystem? It kind of feels like it's in-between retirement/digital wealth/employer benefit area?

Gaurav: We think of ourselves as a…. first and foremost, we serve the consumer so we help individuals with these problems when it comes to saving for retirement and consolidating their assets. At the same time, the platform helps other players in the market so we have a number of partner financial institutions who offer IRAs, the Betterments and Altos and SoFis so they are partners with us, we think they offer excellent products and so we help them grow their businesses where there's a "win win" and it makes sense for the consumer.

We also help the employer in more ways, you know, we go back to like is the system a crappy system. One of the things that is unfortunate about the retirement savings system of today is that there is a big burden on the employer, right. If you are an employer, you want to offer 401(k), you've got to go figure out which 401(k) to offer, how much to match, you know, what type of plan, you have to pay costs associated with that. You also take on a whole bunch of legal work associated with that and most of those costs and most of that liability is co-related to the number of people who are on your 401(k) plan. So, you know, if Todd had a 401(k) from five years ago in an old job and left it there, you know, his old employer is theoretically paying money for him to keep that 401(k) around.

And so, one of the things that we do is by helping terminating employees, transfer their 401(k) in a quick way, we actually end up helping the employers as well because it reduces the amount that they pay for the 401(k) plan and it reduces their administrative work. We serve the individual, right, like that's actually what we go for, that's who we serve, but in the process our platform also helps other folks.

Todd: What's the best piece of advice that you've received, thus far, building Capitalize?

Gaurav: You know, it wasn't given directly to me, but it's like one of the best pieces of advice, most interesting piece of advice ever and I think really helpful which is do things that don't scale which is a program quote from program founder Y Combinator. And I think it's really important to, at the early stage, always to be mindful how you're going to scale what you're doing, for sure, but if you're worried from day one about the scalability of everything, you just know you had started and so at the early stage you end up having to do things that don't scale trusting that the efficiencies in the automations will come in time so I think that's a really good piece of advice.

Todd: I want to shift a little bit in the conversation, how big is the team, everyone located, I know that you're in New York, New York-based company, distributed work, you know, work team, how big is the team. Tell us a little bit more about those around you.

Gaurav: The team, right now, is we're 26 or 27, we've been adding…it's really exciting, we started the company like 2020, March 2020, just as the world was slowing down because of COVID so, again, my timing is great and, you know, we went from, myself and my co-founder took all 27 people so that's where we are today. We started the company with a view that we wanted to be co-located in New York so in-office in New York and COVID hit and so that meant, you know, we wish we had re-assessed that and so we've since transitioned to a hybrid model.

So, for now we're staying with people who are local, you know, in the New York area, we'd love you to come in and people are doing that, enjoying that. We have hired people who are not in the area so we have fully remote hires as well and we bring those people in periodically again because we think it's important to get some face-to-face time, but that's our model by word.

Todd: In terms of staying up on technology, staying up on fintech as someone that's a founder/a CEO, how do you ensure that you guys are around the right path and not being left behind or there's some big innovation...obviously, it feels like fintech is running past all of us, how do you keep yourself grounded to know alright, this is the mission.

Gaurav: Our mission's pretty clear, it's to help people save for retirement, save and invest for retirement and so we look at the things we do through that lens and I think that anchors us all, right. It's broad enough where we can do a lot, but it's also specific in that we're not looking to do a mortgage or a credit card right now. We're going to help the people kind of save and grow their money for retirement. I think you're right, there's a lot of awesome and quick innovation that's happening in the fintech space, you know, it's hard to keep up.

So, I like to read, follow communities like the LendIt community, for example, follow other investors that I respect, talk to other founders. I think being in a city like New York is still helpful because there are a lot of founders here who are building great fintechs, interacting with them, hearing what people are doing, you know, we go to conferences when we can. So, we were at Money2020, I have four weeks to go in Vegas and kind of hear what people are thinking, it's a combination of all of those things.

Todd: Do you see yourselves eventually offering some of these retirement accounts and getting into that space. You know, right now, you're partnering and it makes sense, but do you see yourself eventually on that path?

Gaurav: We think the quality of products that are offered by the institutions we work with are really good products and so we are really happy to partner with them. I think one of the things we always ask ourselves is what can we do best, what can we do better and one of the things we think we can do better right now is streamlining this rollover process, making the process easy and supporting people on that journey rather than necessarily competing with some of our partners to offer the IRA product.

Todd: Is part of it regulatory like because there...alright, I'm going to do a rollover and I have to do these eight steps or is it these eight steps are what was always required and it's just those steps are there, we have to comply with those steps like is there a way to take it down to as easy as a 5-minute application or something?

Gaurav: Yeah. That's what we're doing, right, we're digitizing these processes. You know, the 401(k) provider, it doesn't really have an incentive to make it easy for you taking money out, right, why are they going to make it easy for you to take money out. Now, even if that's sort of a deliberate decision on their part, they have limited technology budgets, like everyone else, and so okay, we're only going to invest in technology, but I am investing in making it easy for people to leave, no, I'm going to invest in making it better for people who are there.

And so, between the incentives and the technology budgets being the way they area, there's no reason to digitize. There's no uniform way so every institution, every 401(k) provider can do whatever they want with respect to rollover procedures, there's no Federal or policy directive to like do it in this one way. Those are the reasons, but you can still digitize a hell of a lot of it, modernize a lot of it and take a lot of it online and that's what we're doing.

Todd: Right now, it's obviously one of the hottest times for fundraising in fintech, any advice you might want to give to another founder who might be thinking alright, I need to take on some capital, I need to talk to investors, I need to begin to take my business to the next level, something that maybe you guys have gone through that you knew that might help.

Gaurav: It's a very hot time in the market, capital is available, frankly, you want to argue it's too available, it's too easy, you know, depending on swings, right, sometimes it's hard, sometimes it's easy. We raised money in early 2020 when the market was kind of normal and actually we closed our seed round in late March so we ended up kind of closing...I know we closed on March 25th and (garbled) late March 27. It was a very turbulent time so we tried to close the venture round and then we did our Series A early this year when things were getting better, but we're certainly not hot and crazy like they are today.

This would be my advice, think about who you want as your investors, but particularly in today's market where capital is plentiful, I think what matters is do you have the right people backing you, do you trust your investors. You know, my investors are my advisors, I go to them with all kinds of thorny problems that I like to know their perspective and they're useful to me, right. And so, I think assembling a group of investors where you can with different points of view, different experiences and focus is really helpful.

On our cap table, we have funds that are very fintech-focused, we have funds that are consumer-focused so think about what you want. Secondly, I think don't let money burn a hole in your pocket when you get it which is just because you're able to raise a lot of money doesn't mean you can spent it and so I think there are times to really aggressively deploy capital, there are times to be more prudent with it. Don't lose sight of that.

And the third is be conscious that the pendulum can swing, right, so even in the past 24 months we've seen it swing pretty violently from like good to wow, the word the shutting down and capital is not available, timesheets are getting pulled, deals are getting re-traded to okay, alright, things are back to normal, oh wow, now it's (inaudible). We've seen it in the past 24 months, you know, basically a full cycle, you get up and you get down so I'd say be conscious of that as well.

Todd: So, just a few minutes left here, end with some lighter, more fun questions. Do you have a favorite book and the last book that you read.

Gaurav: You know, I really like "The Great Gatsby" even in high school I've read it.

Todd: Second person that's told me that.

Gaurav: Is that right, oh damn, I not an original on that, right. (Todd laughs) There's a book by a Czech write called Milan Kundera "The Unbearable Lightness of Being," a really, really good book. There's another really good one, it's not really light, but a book about Abraham Lincoln, it's called "Team of Rivals," it was written by Doris Kearns Goodwin who's a presidential historian, it's a 700-page book on Abe Lincoln and the cabinet that he assembled during the Civil War and it's incredible like the amount of research that I think went into every paragraph of this book, anyway, it's a really fantastic book and about 600 pages through it.

Todd: And they based the movie off of it, I believe.

Gaurav: Yeah, that's right.

Todd: Favorite sports and teams that you root for? Cricket?

Gaurav: (laughs) You know, I did like cricket growing up, I still occasionally watch it. I'm an NBA man now, I love the NBA, I was a long-suffering Knicks fan and then for a couple of reasons that I don't want to get into, it's nothing to do with performance, it had a lot to do with management and ownership. I like the NBA, I don't really have one team in the race, but I like the Bucks, they're awesome, (inaudible) like Lebron James so I root for the Lakers when I can.

Todd: That's not unpopular here, I'm a big Lebron fan as well.

Gaurav: Are you really?

Todd: Final question, biggest inspiration in life?

Gaurav: It's growing, you can't push yourself outside your comfort zone, right, and that idea is like take on something new, you don't know if it's going to work, but that's where I think the growth comes.

Todd: Well, Gaurav, I really appreciate you taking a few minutes. Tell the audience how they can find you guys.

Gaurav: So, you can find us at hicapitalize.com so it's h i capitalize.com and we are free to consumers and we help people who need to find and rollover their 401(k) for free. On Twitter and other socials, hicapitalize and I'm at gs1sharma (?), the company's more important than I am though. Thank you very much for allowing me to plug our business and spend some time with you.

Todd: Thank you, wish you guys continued success, hopefully, we'll get you back sometime in the future.

Gaurav: I really appreciate, Todd, nice chat.

Todd: Thank you.

(music)

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.

(music)