FINTECH ONE-ON-ONE PODCAST – MAX LEVCHIN

Welcome to the Fintech One-on-One Podcast. This is Peter Renton, Chairman & Co-Founder of Fintech Nexus.

I've been doing these shows since 2013 which makes this the longest-running one-on-one interview show in all of fintech, thank you for joining me on this journey. If you like this podcast, you should check out our sister shows, PitchIt, the Fintech Startups Podcast with Todd Anderson and Fintech Coffee Break with Isabelle Castro or you can listen to everything we produce by subscribing to the Fintech Nexus podcast channel.

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Before we get started, I want to talk about our flagship event, Fintech Nexus USA, happening in New York City on May 10th and 11th. The world of finance continues to change at a rapid pace, but we will be separating the wheat from the chaff covering only the most important topics for you over two action-packed days. More than 10,000 one-on-one meetings will take place and the biggest names in fintech will be on our keynote stage. You know, you need to be there so go ahead and register at fintechnexus.com and use the discount code "podcast" for 15% off.

Peter Renton: Today's guest on the show is someone who needs no introduction if you've been in fintech for any length of time. Max Levchin is the CEO & Co-Founder of Affirm, he was also the Co-Founder of PayPal many years ago. Now, Affirm obviously is one of the leaders in consumer lending, one of the leading buy now, pay later players. Full disclosure, I do own shares in Affirm, less than 200 shares, but I wanted to get that out of the way.

In this interview, Max talks about some of the reasons why Affirm started, he talks about his perspective on credit cards and why he thinks there's a lot of similarities to pay day loans, he talks about obviously the core products that Affirm offers. We talk about some of the big partnerships he had like with Walmart, with Amazon, he talks about the deal they have with Peloton. We talk about underwriting and delinquencies and how they're driving those down, we do talk about the 19% reduction in force they took a short time ago, Max gives his perspective on the CFPB and why he's quite optimistic in his work, in his dealings with them, we also talk about the Affirm Mafia and much more. It was a fascinating discussion, hope you enjoy the show.

Welcome to the podcast, Max!

Max Levchin: Thank you for having me.

Peter: My pleasure. So, let's get started, I want to go back to the early days of Affirm, in fact, before you even founded Affirm, what was the idea that you really had, what was the catalyst for the idea for the founding of Affirm?

Max: So, one of my then Affirm co-founders who happened to be a very close collaborator of mine, PayPal, you know, worked together quite a lot on fraud, we were friends since high school and stayed in touch all through PayPal and Affirm. We were having sort of these series of lunches discussing the world of fintech and through chance and this idea that we worked so hard in creating these really interesting scores to figure out if someone was fraudulent or not and yet we never dipped our toes so to say into figuring out credit worthiness which is not an easy.....it's not the same problem at all, kinda in a similarly, you get into that the score might be designed using data sources that are not kind of your standard FICO score type thing to figure out credit worthiness, especially for people like us.

So, he came from a farm and I moved to the US as a teenager from Ukraine so we had non-traditional credit histories. So, one thing led to another and we basically said, you know, it would be interesting to try to design a credit score that would be more inclusive of people with non-traditional backgrounds, students, immigrants, people with restrained work histories. That was kind of the rabbit hole that we dove into and obviously, at some point we had a bird's eye of score and we took it around to people saying hey, we built a credit score, we think it's better than a traditional FICO score.

And 100% of the people we talked to who were in the lending businesses said, no one will ever use a credit score unless someone's already used it, if you want to have a new credit score in the market, you have to lend your own money and prove that this is in fact a functioning credit score. And so, nothing feeds entrepreneurial imagination like someone telling you that this wouldn't work unless you prove it, of course we're going to prove it. So, that's how we got started.

Peter: Why sort of focus on the area of credit that you did, sort of this, you know, there wasn't really a term back then, but the buy now, pay later, you know, the installment kind of point of sale type market?

Max: That's where we ended up almost through a series of happy accidents so a bunch of different things. One, I had this big memory in college of getting a credit card at the point of sale. I remember thinking it ended badly, it actually hurt my credit score, I kind of remember why, oh, yeah, the credit score. So, the credit cards don't particularly want to remind you to pay your bills on time because they make money when you're late and then you evolve anyway and so your interest compounds and it just gets more and more expensive and one day you realize that you're quite a bit in debt, you're late and your FICO score has gone down because they’re already reporting you as delinquent.

And so I remember thinking, that was all very, very bad except what was really interesting is that I was prompted to open up this credit card at the point of sale and I was instantly convinced because it seemed like a really good idea. I needed credit to buy some, you know, something slightly fancier than my student wardrobe would allow and I certainly had no money being an immigrant and a student. So, the two synthesized into this idea of what if you created a credit product that would allow you to buy things offered to you at the point of sale so you are, in fact, prompted to buy something and you're figuring out affordability. And yet, what if we did the exact opposite of what that particular credit card did to me, so you don't charge late fees, you don't compound, you make it extremely obvious how many payments you'll have to make and then you're done, there's no ambiguity around how long it might take to get out of debt.

And so, we designed this product, there was not name yet, buy now, pay later was not a term yet, but we sort of imagined this product that you would see at the point of sale, you would think of it in terms of oh, this is six payments or four payments or 12 payments, you know exactly how many dollars it would be. For that to be really a firm offer, if you will, if I could tell you hey, it's going to be $12 per month for the next six months and then you're done. One, you can't charge late fees because that changes the potential total number. Two, you certainly cannot compound because that changes, depending on the timeline, and most importantly, you actually have to put a total limit, a cap, if you will, on the total number of dollars a person could possibly owe. So, we designed a product very much through this lens of what is the most consumer friendly least gotcha, least scary version of credit that you could offer at the point of sale as someone is already making up their mind how much they're going to want to extend.

And when we launched with it, it was a huge surprise convincing a couple of friends of ours that were in the business of online retail and offering at the point of sale and we would get calls the next day after we would roll it out. Some friends were saying, it's kind of shocking, but it looks like I added 30% more volume overnight, like how's that even possible? People seem to like this idea of transparency and expanded budgets, they want to buy more things, they can't quite afford it or they feel like they can’t afford it, they want to borrow money, but they're kind of scared, they don't want to use their credit cards because they know revolving might be something that they'll, you know, it’s a debt they’ll never get out of and so this certainty and sense of control is pretty powerful. And so, that's how we designed the product, but it was almost a semi-conscious throwback to my college days when I was credit-less and credit scoreless because I was literally fresh off the boat.

Peter: Interesting. So, when did you realize that really this, I mean, it sounds like fairly quickly you found you had a popular product, when did you decide that okay, this credit scoring thing might be a good idea, but this lending thing is really getting traction?

Max: We were really in the credit scoring business in theory as soon as we offered this lending product. In practice, it was very clear that there was a huge market pull for our product that would give people a sense of control and cost transparency into credit and we were still.....so somewhere in the back of my mind there's the business that got away, the idea of offering BNPL credit score for anybody who needs it, but for the moment, we're very, very busy delivering BNPL to everyone.

Peter: Right, right, indeed. So, over the years you've been fairly critical about credit cards. In fact, I remember at one of our events a few years back, you compared them to payday loans or the payday lending industry, how do you respond to this because criticism has been leveled at BNPL because people are also racking up debts. How do you respond to that criticism that it’s just another way for consumers to accumulate debt?

Max: So, first of all, credit cards and payday loans have the exact same business model, in both cases, the lender…and you can dress it up with cool stories and kind of explanations of why it's different but it's not. The idea of a payday loan is you go to kind of a weird, you know, maybe this nouveau payday loans online are somewhat better, look nicer, but in the traditional world you go to the seedy place and you say, I need to borrow $100 and the person says, great, here’s $100, bring me back $200 next week and that's it. And it's actually not the worst, I mean, it's some kind of an outrageous interest rate, but, you know, if you get paid next week and you are, in fact, able to pay off your loan okay, that's fine. But in reality, what happens, you come back next week and say, you know what, I still haven't gotten paid or something happened, I need to keep staying in debt and the person tells you, oh, it's okay, it just doubles now and so next week it's $400. So, you can imagine this super steep exponential curve where you're suddenly in a permanent state of debt and terrible things happen to you.

The only difference between that revolving and a credit card is the shape of the exponential curve is just a little bit less steep with credit cards because you're not doubling every week, you're adding like a few percent every week, but as everyone who finished high school knows, it doesn't matter really what the exponent is. Once you're past the elbow of exponent it all looks vertical so maybe it'll take a little while longer for you to get into a terrible amount of debt, but once you're in it, even if the exponent is not that high, is still going to get you in basically a permanent state of debt.

So, I believe and I think the math proves out that if you are borrowing money with what's called a revolving line of credit, also known as a credit card, you are setting yourself up for a financial failure unless you are so extraordinarily disciplined and sufficiently wealthy to treat it as essentially as a debit card where you pay it off at the end of the month or at the end of the billing period and you're not revolving.

There's another way of not revolving and that is you create a firm schedule where you say look, I am going to pay this $100, $5, whatever it is, in six payments or four payments or whatever number of payments makes sense to you and there's not a way to revolve, I'm just going to be done with it. If there's an extraordinary event and you lost your job or something happens, you can try to reschedule or you have some way of addressing it, but you are not allowed to continue borrowing and continue revolving into a larger total obligation and that is what buy now, pay later is.

And so, buy now, pay later, by the way CFPB, Consumer Financial Protection Bureau, put out a really nice report several months ago basically describing this as a better alternative to credit cards, I believe, specifically, because this is a way to borrow money without revolving. And so, I very firmly believe that if you're going to borrow a dollar, you're better off borrowing it using BNPL than using a credit card, unless you have the luxury of just being able to pay it off freely whenever you like.

Peter: Right, got it.

Max: A huge percentage of US households revolve, I think something like, definitely over 50%, it is a massive source of debt on the US consumer. By the way, this is not true for the entirety of the BNPL industry, but it is true of Affirm. One of the ways credit cards make money, in addition to this revolving exponential costs is late fees. Late fees are a massive source of profit and there's now a very concerted campaign by the Biden administration and CFPB itself to drive what they're calling "junk fees" down to as low a number as possible, but it is as high as a 20 to 40% of the profit of the credit card industry just comes from various kinds of fees especially late fees. And so, Affirm is a particularly honest and good for consumer exponent of this non-revolving borrowing, but pretty much any buy now, pay later provider is a non-revolving lender which is much healthier for consumers. So, that's sort of the difference between cards and in a payday lending comparison, I think it's very fair, although it might be slightly scandalous. In terms of the criticism around, while it's just another way for consumers to borrow money, it is, consumers need to borrow money.

Borrowing in its best form is an investment into your future, you know that you have earning capacity that you will get to in the form of a college degree, you borrow money for a student loan. That's what I did and once I paid it off, I felt that the trade was exceptionally good, I ended up with a computer science degree and lots of good things came from that. And so, borrowing and credit are a good thing, debt and being in it is not a great thing. It is really important to manage your debt as well as your credit very carefully, BNPL is a safer tool between the two tools, credit cards and buy now, pay later loans.

Credit cards are a little bit like a power tool and the safety is permanently off, it's very, very easy to get in trouble, BNPL is a safety first type of tool. The thing that is worth highlighting, and this is another thing that's CFPB is very engaged in and we are certainly excited to be in conversation with them to make sure that consumers do not over extend themselves in both buy now, pay later and all the other forms of borrowing that's why credit reporting exists, And so, today, majority of buy now, pay later providers, Affirm is an exception, but majority of buy now, pay later providers do not report borrowing results, what is called furnishing information about installment loans that we do to the credit bureaus.

Affirm does for a percentage of our loans but not all of them, depending on type. It is absolutely important for the industry to standardize on the type of credit reporting to make sure that these loans are visible to the rest of the industry participants and once we get there, which I'm confident will happen quite soon, I think it will be harmonized with the rest of the forms of borrowing that the consumers can do in this industry.

Peter: Right, yeah, that's really important. So, just run us through then the different types of lending products that you have and just, you know, maybe you could sort of talk about what's sort of the growth areas for you within that product suite.

Max: The products that we offer today are all kind of a variants of this idea of an installment loan. Some of them are quite short term, the buy now, pay later term really came to describe these four installments, interest free loans to consumers. They are typically really good for a modest amount of money, like $200, $150, they don't really work very well above $300 to $400 because at that point if it's too much money to pay $400 up front, it's probably too much money to pay $100 every two weeks. And so, what we do is we offer both very short term, six weeks, zero interest products, we also go as far as 6,12,18, 24 months, etc., longer term products that are designed to help you finance things that are a little bit more expensive than just a couple of hundred dollars.

Some of those are interest free and in those cases the interest is effectively subsidized by the retailer and some of them are interest bearing where consumer actually pays the cost of credit. In all those cases, there's no interest, there's no interest, but when there is interest it's always, always, always no late fees, no deferred interest, no compounding and the interest is always capped out to a specific number of dollars which goes down if you pre-pay. Majority of the industry likes to penalize you for pre-payment, we actually reward you for pre-payment because we think it's a really healthy financial behavior and so we typically divide it into longer terms, shorter terms, zero interest or non-zero interest.

Peter: Right, right. In the early days of the pandemic we actually bought a Peloton in our family and we financed it through Affirm, was interested to go through that process with you guys, it was very easy. And then Peloton suddenly became this massive part of your revenue. Can you explain, just explain the economics there and obviously no one really saw the pandemic coming and no one kind of expected, I’m sure Peloton didn’t expect their sales to jump so much, but how did they become such a big part of your business?

Max: When we went public, we disclosed that they were over a quarter of our business and they were definitely a, they still are, a great partner of ours and a huge part of our success story. At this point, we've grown quite a lot, they are less than 2% of our business, last I checked, and they're still a significant source of volume. The way that particular product works is really, really compelling for a consumer, as you have experienced, it's a pretty unbelievable deal. You are buying something that's thousands of dollars and it's exactly the same as cash but you get to pay for it either, I think it's between 24 and 36 months, something along those lines.

The way that works is Peloton is a, what's called a vertically integrated merchant, they manufacture their own bikes, they package them, they sell them, they deliver them, etc. and so the margin on the hardware is pretty significant and to eliminate any consideration or any thinking too long on your part before pulling the trigger on buying a really nice bike like that, they're essentially saying, you know what, we will pay what you would have paid in interest. We will compensate Affirm for our cost of capital, cost of data, cost of servicing, etc. so that you get to basically have exactly the same bike for exactly the same price if you would have paid cash just so that you don't have to think about interest.

This really is a good highlight of how BNPL can be so much better than credit cards. If you were to buy a Peloton with a credit card and revolve, you're looking at thousands of dollars of principal, it is entirely possible to, depending on your credit and your credit card rate, you may be paying thousands of dollars of interest too, and so not doing that is a pretty powerful story and we obviously helped each other grow tremendously through the pandemic.

Peter: Yeah. It was very compelling because it's just, I think we're paying like $62 a month and that was over three years. It was just a no-brainer, the same price up front, you would barely even notice it when it's that small of a monthly payment. But I want to talk about other deals you've done and you've signed deals with both Amazon and Walmart, basically the two biggest retailers in this country, probably the world for that matter, can you just tell us a little bit about both of those relationships and how you're growing them?

Max: The reason we won Peloton was years ago is the same exact reason we won our partners at Walmart and Shopify and Amazon, all these huge industry participants. Ultimately, the competition is quite stiff, there's plenty of people who are offering buy now, pay later products, some offer….some compete with some of our products, others try to compete with most of them, but the punch line is, no one does the three things that we do as well as we do.

Number one, we are really a consumer-centric product experience, we take great care of the consumer, our Net Promoter Score always stays extremely high, we don't charge late fees that adds obviously to our appeal to consumers when they misstep or just forget to make a payment, we don't penalize them for it. And so, that pro-consumer stance, or Amazon sometimes calls it "customer obsession" but that's something that we really share with all these companies, they're all very, very much obsessed with the consumer experience so that's really in part one.

Part two, we did invent that score and we have iterated on it now for over a decade so, in it's actually 10th version, as it happens. We just released the next 10th major version of the new credit score that we invented and it does allow us to include and approve more people. And so, on average, we end up approving more consumers and offering them safe access to credit without having to make money on the sly with clever tricks like late fees, etc. So, that is important, that keeps us in consideration set with all of our partners.

And three, we are a technology company first and foremost. If you're trying to convince somebody as huge as Walmart or Amazon or Shopify to partner with you, one of the tests you have to pass is, alright what happens if you are servicing Black Friday, Playstation 5 sale at walmart.com. Better be able to keep up, if you stumble, you are going to cost the world's largest retailer hundreds of millions of dollars of lost sales and that's not okay. And so, being able to deliver on the technological promises, let's call them requirements that come with these contracts is really important and we have had the privilege of being co-founded by four computer scientists that adds up to a pretty good engineering team.

Peter: (laughs) Right, indeed. So, I was looking through your earnings report, your most recent one and looking at the 4th quarter delinquencies came down, it seems like, I'm just curious about, like how are you creating lower delinquencies and what do you feel the consumer, like all this uncertainty people are talking about, the consumer lenders, this is going to be a real test because there's going to be a potential downturn this year. I mean, how you are kind of adapting your credit models for this?

Max: So, we didn't just have a sequentially lower loss quarter, we also had our highest quarterly growth merchant volume so we grew the company while reducing delinquencies and losses. So, in that sense, what we're doing is we are trying to prove to our supporters and a little bit to our naysayers that the story of while we can only be a great provider of consumer credit in the boom times when everything is just perfect, you know, maybe that's true for some players and I am fond of quoting Warren Buffet, "when the tide comes out, you know, we're swimming naked," we are trying to show and continue to show that our underwriting chops are better than the industry.

And so, that is a direct example of those underwriting chops in our falling delinquencies, obviously, we will pass the test once…whether the downturn happens is here, gets through and is behind us, but, so far, I think we are doing significantly better than the industry. In my letter you can actually see, I think in my call section, as a matter of fact, you can see a slide comparing us to a bunch of credit card issuing banks, all of whom are now starting to build up reserves and reporting increasing delinquencies while we are reporting decreasing delinquencies.

So, you know, so far, so good, obviously, credit takes very, very active management, we do have a really powerful structural advantage, it's actually two-fold. One, we approve every transaction which means that sometimes we get to tell to consumers hey, you're over extended, please do not borrow anymore, this is more money than you can safely afford to pay back. It's not the nicest thing to hear, but we are very crisp and try to be compassionate about it, but if we believe the person is over extending themselves and cannot make the payments back to us, we will not lend the money, we have no incentive to do so because we don't have late fees, etc., etc., when they can't pay, we actually just lose money.

And so, that's a really important component of our business and the other one is that majority of our volume is very short term and therefore, as we watch consumer behavior shift and we did see quite a lot of fairly turbulent shifting in consumer demand especially through the last few months of the calendar year as consumers were combining or trying to make sense of buying gifts for their family but also deal with inflation and increasing prices of commodities, etc., as we sort of witness what's happening in the world, we can adjust our underwriting standards to match everything from employment rates to shifts in demand and make sure that we don't over extend these consumers.

Peter: Okay. So, I want to talk about the workforce reduction that you had. Earlier this month, you announced that 19% of your workforce is going to be laid off, how are you going to continue to grow with far less people?

Max: The scale of the opportunity and our ambitions are unchanged, that should go without saying, we're still planning to take over the world in our own special way. (Peter laughs) We did front run quite a lot of our ambitions relative to our revenue production, just like majority of Silicon Valley did in the somewhat crazy years of the pandemic and just like a lot of us, we decided to reduce workforce to match our revenue production to the scale of the company. That said, it does create a certain discipline and, by the way, I'm responding in a staggered fashion because it's still an emotional thing for me and it sucked and I hope to never have to do that again.

Peter: Right.

Max: But it does create a certain sense of scarcity of resources and it forces you to think about doing more with less and really puts a finer point on prioritization, that's very nice to say. Well, I have all these engineers and I want to do A and B, C, it will really be wonderful to do all these things concurrently. In a world of 20% fewer people, you better know what's more important A, B or C and then you prioritize it and you don't really have so much a choice of well, let's just do it all at the same time.

Peter: Right, got it, okay. So, you've mentioned the CFPB a couple of times and, you know, they've certainly taken an active interest in BNPL. Sounds like from what you're saying, you're pretty optimistic that what the CFPB comes out with is going to be, you know, a positive for Affirm anyway, but maybe even for the whole industry, what do you expect from them?

Max: First of all, big fan of CFPB and their mission, I spent a few years on their Advisory Board a bunch of years ago now, but generally speaking, we like folks from CFPB, we frequently hire them. Our first general counsel came directly from CFPB to us and so we have a lot of kind of a DNA linkage to the folks that are trying to be sheriffs of the fintech town so I think that's probably the origin of my goodwill towards the agency. I think like any rapidly growing market, thoughtful regulation is a really good idea, it allows the participants to kind of know what the rules are, it allows folks to work together even if they're very competitive.

For example, few people nationally take a leadership role in figuring out standards for reporting credit which I think is really, really important. Our credit system is built on the idea of transparent reporting of positive and negative credit results and CFPB has a great role to play there so I expect them to continue learning about the industry. I think they've been very thoughtful, they've surveyed the industry quite actively, obviously, all of us in the space gave them a ton of data. From what I can tell, it's certainly not done, it is not my place to prognosticate what they'll do next, but generally speaking so far, the engagement has been productive.

They have been very thoughtful in their questions, they are not scared to learn which is always very, very important as you're trying to figure out how to regulate any industry. You have to be willing to not just say well, it looks like X so we do Y, but also take a look, how is this thing different and, you know, their report really speaks for itself, it opens with this passage describing how BNPL is profoundly better than credit cards which I think profoundly are my words, it's a better alternative than credit cards.

Peter: Right.

Max: Look in their math.

Peter: (laughs) Okay. You know, I know you don't like the term "mafia," but much has been written about the PayPal Mafia of which you obviously are one, but there's becoming now an Affirm Mafia, it seems like. A lot of fintechs are being started by ex-Affirm employees, companies like Resolve, Peach, Centrelink, we've had all those companies on our podcast, how are you fostering entrepreneurship within Affirm?

Max: I think fostering entrepreneurship is actually a little bit of a fool's errand, maybe a slightly controversial opinion, but I have the view that not everybody knows they're an entrepreneur. But if they're exposed to entrepreneurship they either think wow, that's like a crazy lifestyle, I can never put up with that level of ups and downs or you feel like wow, that's just extraordinary, like I want to tell myself what to do and I don't want to take too many cues so I don't want to hear about any random you can't do this or why. And so, those kind of people are naturally attracted to startups and Affirm even being publicly traded and ten years old is still very much a startup. And so, once you're within one of those companies, if you are an entrepreneur at heart, you very quickly discover that that is what you want to do.

The one thing that we did at PayPal and the one that we certainly do at Affirm is when people tell me or tell their peers, hey I'm kind of thinking about starting my own company, we don't jump at that person with a how can I talk you out of this. We actually say wow, that's amazing, like we need more entrepreneurs in this country, it's profoundly important for the US economy, for the world economy to have more entrepreneurship. And so, insofar as this person wants to stay here and continue learning, of course, we will support them and we will do the right things by them, but as they choose to eventually walk out the door and hang up their own shingle and start a company, we are very supportive, we try to maintain an alumni network.

Affirm sometimes or I personally sometimes take an investment position in these companies and so we are very supportive of folks that say hey, I'm interested in starting my own company, especially if it's in the area of fintech. Inevitably, we end up being interested in those domains and sometimes even partner with our former teammates.

Peter: Okay. So, I'd love to kind of get your vision for what will consumer credit look like in, you know, 10/20 years' time and I imagine Affirm will be at the center of it, but I'd love to kind of get your sense of what will it be like from a user experience perspective?

Max: It's always too easy to imagine the world 20 years from now because no one's going to remember your prognosis and so I feel like that that's not enough of a challenge. I think the right challenge and, you know, maybe this will speak through 20 years from now, but I think three, four, five years from now, I certainly intend to be very focused on BNPL on a card. I think cards with magnetic stripes or chips or RFIDs built in, whatever the transmission mode, is still the best user interface. Even the NFC wallets within your watch, within your phone are just pretty good approximations for pulling out a 3x1.5 piece of plastic that you can just tap a card reader and move on.

I think the fact that no one has cracked these really simple, transparent, close-ended installment loans on a card is just a giant opportunity. Obviously, I've spoken to plenty about our attempts to do this with our product called Debit Plus which we've certainly taken our sweet time developing because it is a completely new mode and getting it right took some time, but I'm very, very excited about that. I think we will still be using cards even 20 years from now just because it has such a powerful user interface and then maybe, I mean, there's some crazy world where the chip can be like embedded in your nail or some part of your anatomy, but I don't think so. (Peter laughs)

I think cards are actually pretty powerful, we've been carrying around dumb wallets for a very, very long time and I don't see a very strong reason why we'll completely stop doing that but these tiny little pieces of plastic are very powerful when combined with an intelligent app. And I think we'll have just to nod to the current hot thing is all kinds of conversational AI, I'm not sure I need to converse with my AI about financial health, but I do want something resembling the smartest possible financial advice in an app that speaks to my card.

So, as I tap my card or chip it or swipe it even at a grocery store, I want my app to say hey, the smartest thing to do with this bill is to turn it into a loan and pay for it over six weeks because the retailer in your basket is subsidizing all the interest so you'll never pay a penny and, of course, there'll be no late fees and we're going to route it to a bank account that we have on file so you have to do nothing, if you want to change it, please do but if not, this is the smartest financial decision you can make.

And so, generally speaking, 10/20 years from now, I see more and more financial intelligence pushed into smart defaults, like right now we agonize over choosing the right mortgage rate and choosing what exactly are the points you want to pick up. All these decisions are designed to confuse and ultimately profit the lender, I think a lot of that will get washed out with some form of intelligent financial assistance that you can trust to do the right thing for you.

Peter: Okay. We'll have to leave it there, Max, it sounds like a fascinating future. I appreciate you coming on the show today and best of luck.

Max: Thank you.

Peter: If you like the show, please go ahead and give it a review on the podcast platform of your choice and be sure to tell your friends and colleagues about it.

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

(Music)

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