

PITCHIT FINTECH STARTUPS PODCAST NO 95-GAVIN NACHBAR

Todd Anderson: Gavin, welcome to PitchIt, you know, the podcast and we're live, I should say, for the people that might listen to this from Fintech Nexus USA.

Gavin, I'd like to start the episode if you can give the listening audience a little bit of background about yourself. What brought you to the point of starting Column Tax, tell us about yourself.

Gavin Nachbar: Yeah, for sure, thanks for having me. The event has been pretty fun, it's great being here. My name is Gavin, Co-Founder & CEO of a company called Column Tax, we're building the next generation of income tax filing software in the United States and we're especially focusing on building it in an embedded way. So, any banking, mobile banking, fintech company can embed tax filing native within their products and connect it to the rest of the experiences that they offer already to American tax payers or accounts holders of theirs.

My Co-Founder and I spent four years before this working on self-driving cars so we came from a slightly different background, but what brought us was actually a similar set of problems around operational complexity. So, taxes are very operational and complex, I focus a lot on operations and so did my Co-Founder in previous roles and we're super excited about taking that and applying it to something universal. Similar to driving, taxes impacts everyone so kind of brought us in a circuitous way.

Todd: So, what motivation or where does the motivation come from to be an entrepreneur? Clearly, you mentioned working on self-driving cars, what brought you to the point of hey, I'm going to start my own venture and we've got to co-found a company that risks, that you need to take with that, where'd that kind of entrepreneurial spirit come from?

Gavin: The thing that I've always loved is taking an idea and bring it into reality and self-driving is similar. We're actually at Waymo which is a fairly large company before this and so I've always enjoyed going big company to small company so that was a large company and then was at Wemo and then founded Column. And, for us, we were very excited about going really small so my Co-Founder and I were excited about working together.

You have to be very passionate about the idea to work through all the complexity that comes, to go from hey, we want to start a tax filing company that's actually filing for American tax payers, so much you have to get right and you have to be really passionate, you have to want to figure out the complexity, fight to the ambiguity. I think a lot of that came from seeing companies that scale and hearing the stories of early days for those companies and just being so excited about trying to find our own path and do the same. So, we fell in love with the idea of working on a tax company pretty quickly, like the universality.

Todd: What is it about taxes that's exciting, I mean, on the face it, I would say it's not exciting but clearly you are excited, like what makes that problem exciting to solve for it

Gavin: When we talked to taxpayers, we would often hear the same thing which is, my tax refund is the single most important check that I see in a given year. It is often the largest, it is the one time a year that I can put money away to save, buy something that I've been wanting to buy, bring my kids on

vacation. And so for us, we saw that as so critical but deeply underserved but when we asked them, what tools do you have to manage your financial life around tax, there were very few and actually most turbo tax, exactly and that's once a year, siloed from the rest of your life and generally, we found higher net worth individuals who were paying people to do so.

Software has not made its way to actually help make most Americans with their taxes. So, we're like okay, there's a big problem that software isn't solving today and it's wrapped in incredible complexity and actually think the fact that tax is on the face boring makes us more excited, more motivated because we're like okay, great, we want to show people how impactful this is. It's a big part of recruiting, it's a big part of what we do.

Todd: So, as we continue to get a little bit deeper into exactly what you guys do, I do need to ask where the name Column Tax come from?

Gavin: We wanted something that was easy to pronounce and that had felt sturdy so that was the original idea, and we liked the association, government buildings have columns and so we kind of came to it that way. We were really early on in the idea, we're already talking with some mobile banking companies and so we picked a name pretty quickly but it stuck, we really like it, sturdy.

Todd: You mentioned something when you were talking about the single biggest check taxpayers get every year, there's a lot of the way I should put it I guess, you know, the way a person thinks about that check. Is it better that, and maybe there's some research on this, that they revolve all their lives around that check or is it better that they change their filing status to give themselves that little bit of money every week.

Conceptually, how do people think of this problem or maybe this event in their minds and how have you guys approached that when thinking about ultimately serving the end customer and the taxpayer.

Gavin: It's such a good question. You will hear people sometimes refer to taxes as you loan the government money, like a refund, you loan the government money and then they give it back to you without incurring interest. From that perspective, it's not ideal for the individual, right, if you over withheld and get a refund you're likely would have been better off getting that money throughout the year, investing it, gaining interest or some sort of capital gains on it.

Todd: But it's not that simple from for most people.

Gavin: That's right, that's exactly right. And so, our position as a company is two things, understanding and education around it. So, first you should have the information, you should understand what's happening and then you should be able to take whatever action you want on it. Some people really like the large once a year and we actually hear all the time from the people that we file for, they'll tell us it's forced savings, like no, no, it forces me to save, and I put away the money. When you think about the psychology of that, that's really powerful, we like that especially for people that live paycheck-to-paycheck, we want to empower them to make the choice that's best for them.

So, information, being able to act on the decision, we're less prescriptive around what's better or worse, we're very big on you should be on the driver seat for an understanding and being able to take

an action perspective so it varies per person a bit. And we find that most people would rather get a little back than owe because there's quite a bit of fear around the IRS and owing money and so people like having a little cushion, there's a nice feeling to that.

Todd: So, conceptually, how does it work for Column Tax and if I'm a company, I want to embed your solution, how would we get started, how could I do that to benefit my end customer, tell us a little bit more about kind of the mechanics of how some of the partnerships work and how it's most beneficial to the end consumer.

Gavin: We start the journey on the B2B side, exactly right, and so when we are looking for good partners that fit with what we're doing it's typically companies that want to capture tax refunds in deposit accounts, that's usually a checking account, so companies that offer checking accounts typically to a demographic that gets refunds. They care a lot about building additional product experiences into their app so you could think about it sitting alongside banking, investing, lending products, taxes are a natural fit for a lot of companies with that.

And then the third is people care or the B2B persona that we work with cares a lot about lifetime value of a customer and retention of that customer. So, the deposits and retention piece fits really well for mobile banking or digital banking companies and then the second type of company we work a lot with is self-employment for gig-focused companies where there's more complexity for their end-user around tax. So, it starts with that and we're really looking for companies that has natural fit, it only works well if it fits well within their portfolio already and they want their users to take advantage of it. That's the focus.

Todd: So, how do you think about kind of your embedded solution, financial inclusion as well as kind of the shift we're starting to see which is, you know, every two-week payday or pay check is evolving and maybe at some point in the future it will be done and we might be able to have access to wages that we've just earned. How do you think about some of those, you know, pieces of this puzzle and taxes and ultimately how it plays into, is the consumer financially more healthy and are they getting the products at the prices that they should get?

Gavin: Yeah. We are very big proponents of more control over the flow of funds for people, whether that's on a daily basis, weekly basis and I think that that benefits the persona that we serve quite a bit. How it relates to tax, I would say two things. One, every financial decision that someone makes has a tax implication, usually we would say it's below the line as in you don't have visibility into it, but whether you're changing or withholding or you're getting a bonus, any type of income has tax implications. We believe that all of that should be connected with a tax layer so wherever your financial life is, you should have insight into it across income types, a W2 kind of what you were just talking about, gig income, investment income so we think taxes layer, whether it's a key part of the stack.

The second thing I would say around what you mentioned, access and affordability so let me talk about one of our partnerships that we are super excited about. We were actually with Propel which is an amazing company based in New York that offers EBT balance checking among other great products, predominantly for low-income Americans and this year worked to help bring free tax filing to any of the providers' debit user. That is so impactful for that user base for a number of reasons, over

40% of the people that filed with us this year did not file their taxes last year and when you think about that.....

Todd: Why is that?

Gavin: Yeah. The psychology of somebody who is a non-filer, there are so many reasons. It could be a, I didn't think I had to and wasn't aware that I could get a refund. So, imagine you didn't make much, you don't think you'll get a refund so you didn't file. Second would be, oftentimes at the, you know, if you're making \$10,000 or less a year, which is many of the people we serve, you are living month-to-month trying to make it to the end of the month and so filing your taxes falls down the list, the prioritization list. Giving access, both from an awareness perspective in the provider's app and offering it for free, that's something we get so excited about when it comes to expanding the access and equity of the products.

Todd: You mentioned, obviously, that you're in embedded solution, there's been a wider shift in fintech and really one of the biggest trends with embedded finance, how has that shift kind of helped with maybe the product and pitching the product to potential partners, and kind of where do you see embedded today as an embedded provider yourself?

Gavin: It's been nice being a part of a later wave of embedded products because I can only imagine what the first set went through, like I think about a company like a DriveWealth, for example, that pioneered so much here and so many other products in other segments. It is amazing being able to be a part of that where they've paved a way helping banks, mobile banks and fintech companies think through a partner strategy.

So, when we come in the door, now everyone is thinking, is this a product that I will build, buy or partner on, and the partner piece is fairly new, like a lot of this was different even, you know, ten/15 years ago. So, we benefit a lot from people feeling more comfortable partnering on things that aren't core to what their business does, I think we'll see more of it. I think as companies like to expand their capabilities in finance and banking, I think partners is an amazing strategy, no one wants to build a tax engine. So being able to leverage what Column does, that's what we do best, we want to bring that to them, partners is the way to do it.

Todd: Since launching Column Tax what's your biggest lesson or one of your biggest lessons, so far?

Gavin: I think we're continually brought back to two things as a company over and over in different cycles, different patterns. The first is always listen to the end-user, everything has to be taxpayer-centric and this season hearing directly from people was the single best thing for us to figure out what is next for the company. Where do people get stuck, how do they think about this experience, how do they associate tax filing with their bank, that is gold. So, every time we stray, we're always brought back to the end-user, what's the taxpayer need, how can we serve them better than existing options today.

And the second is team, our team is amazing, and we felt super fortunate with the team we have at Column Tax, we're always brought back to the end-user problem and the team solving it. Those are the two things that jump out.

Todd: Any regret that you could share maybe?

Gavin: Wish we started it earlier (Todd laughs), I wish we'd started earlier. I think we started working on a product called Tax Refund Unlock to start and we are working on both that and filing at the same time, we continue to do both. I think we could have done more on filing in the first, first season three years six months earlier. And as a startup you're always trying to balance the cycle it takes to develop the product and filing is longer and bigger versus the impact that you could have.

Todd: Best piece of advice since starting that you've received?

Gavin: We were very fortunate to work with Aryan, who's an investor at Core Innovation Capital, he was the seed investor at Column Tax and early on he gave me some amazing advice on making our first partner successful. As a startup we had a tension, I think is kind of a classic tension, you've signed your first partners, they are launching and going live, well the next set of partners is asking you to do sales cycles.

I remember in an early meeting with him walking him through this problem set, giving him some of the specifics and the advice really cut through around, make your first partner successful at a level even deeper, stuck with me so much we apply it to every partner through and through. The partners that you have are the ones that matter, make that work, really good advice.

Todd: You mentioned team a few minutes ago, how big is the team today, what does the team look like in terms of roles and kind of what is the breakdown, tell us a little bit more about those that are around you and helping you build Column Tax into what you're hoping as a giant company like Waymo.

Gavin: That's right. Today, we are 22, I think we'll be about 30 by the end of the year, that's what we'd like to be and a couple of things. One, we love small teams, we find small senior teams do really well for the type of product that we're building, there's a lot of complexity. The folks that work at Column, they hold a lot in their head end-to-end across product, across tax, across engineering so we love that makeup for the team.

Almost everyone on the team is building our tax engine, that is the core of what we do so we have, you know, 22 folks today, three of us are on the business side, everybody else is either coding it up, building tools to code it up, designing it or working in some sort of way and that's what we'll continue doing best. We're a product company, we manage partners directly but we're very focused on engineering and tax.

Todd: I heard that you guys have raised, you know, some outside capital. I know you mentioned Core Innovation, we know Ken, Aryan and the team over there, Felicis Ventures, you know, how was the fundraising process and the acceptance or at least the interest in a tax product which, like we talked about, might not seem that sexy but clearly there's interest with the capital that you've raised and it's a space that needs innovation that hasn't had much.

Gavin: Yes, it was a great Rorschach test. When we get to an investor and tell him we're building tax, what I felt like is it's self-selected into a group that was willing to be in it for the long haul which was super important and all the early investors we stressed the five and ten-year path that it's going to take to build this type of company, it is a long journey.

And then the second thing was people who liked, they liked the schlep, the boring parts, what it takes to build core of fintech infrastructure so Bain Capital Ventures led our seed and Series A and the whole way have been so supportive of the hard work. It takes time, building core infrastructure is hard, invest in that, Felicis, Core Innovation Capital, operator partners, we were very lucky but I felt like the group of investors self-selected into those types of things excited them, they're like great, this is a long schlep, we like that.

Todd: If a younger founder, first time founder was just starting their journey, you've been in your journey for a little bit now, what kind of advice would you tell them, you know, whether it be about fundraising or some of the lessons that you've learned. What wisdom would you put out there if someone picked up the episode in a few weeks when it's out, what would you want to tell them?

Gavin: Hire slow, it's the hardest thing to do and our team is amazing, we are so fortunate, it's on my mind because we've been talking so much about hiring. Hire the people that are right for the team and the rest comes in a lot of ways, like if you have the right idea and you can execute against it, I think we are where we are today because of the people at Column Tax.

And so, whenever I talk with founders I'm always talking about hire amazing people that compliment you well, bring different skill sets and there's always more to be done than you can do. And so, (inaudible) is a natural tension like the physics of a company will pull you to want to hire really quickly, hiring slow is how you build an amazing, enduring company and we're trying to add, you know, we're trying to grow 50% this year which is still a lot. We want to do it as slow as we can but with the right people.

Todd: So, we have just a few minutes left, I usually like to end a little bit lighter. Do you have a favorite book or the last book that you read?

Gavin: It's been a long time, do IRS PDFs count? I think the last book that I read, I read "A Gentleman in Moscow" which I really liked, it's a fiction book by Amor Towles, it was really good, I liked it.

Todd: You know, founders risk burn out and they risk completely overworking themselves but you as a leader of company needs to stay fresh, what do you do to step away, make sure when you're coming to the office or coming to the desk every day that you're fresh and that you're there and present for your team?

Gavin: Living in New York is so great for this because there's so much happening here. You step out of the office and you're right in the most amazing whatever it is, going to a music, going to a show and so I find a lot of it is being with my wife, friends in the city, it's really nice to be able to step away. And then also, its springtime, getting outside has been very helpful and you're right, the founding journey will pull you in, like it can be all consuming so finding the right balance. Everyone's balance is slightly different, find the right one for yourself, I find those are good.

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

Gavin: I would have felt better about this two days ago but the Celtics which just lost last night....

Todd: Yeah, that was ugly.

Gavin: I know, it wasn't pretty but I love that team. I grew up in Massachusetts and so I've always been a Celtics and a Patriots fan. Good teams are in progress today.

Todd: Yes, that certainly is true.

Gavin: You know, you don't make many friends when you say it. (Todd laughs)

Todd: Favorite vacation spot?

Gavin: I love Big Sur in California. I was in the Bay Area for eight years and there's something very special about California Coast being so close to the Bay Area and being able to get away, I love Big Sur.

Todd: And final question, what inspires you, what's your biggest inspiration, what makes you keep going everyday, have the energy to do, what gets you going?

Gavin: My Dad founded two or three companies when I was growing up and much more than me, he is an inventor-type, like he likes to invent, he builds, he builds with his hands and I was always so inspired growing up by the passion. There's just a sheer passion that he would bring to an idea, it's contagious. And so, growing up I always thought work was you come up with an idea and you make it happen and it was interesting learning that it's actually not most of what the workplace is. That's the root of my journey and definitely one that inspires me.

Todd: Well, I appreciate you coming on the show, we'll have this live episode of Fintech Nexus USA out soon but if someone wanted to reach out, potential partner, potential investor, how can they reach out to you, how can they find Gavin or how can they find Column Tax?

Gavin: You can find us @columntax.com, gavin@columntax.com, I'll respond. You can find me on LinkedIn, we always love talking with new partners that are looking to add tax into their product. Thanks for having me.

Todd: Yeah, thank you, continued success to you and the team in the future.

Gavin: Thank you, appreciate it.