Vanguard partners with HelloWallet

By Kerry Pechter *Thu, Jan 23, 2014*

Washington, D.C.-based HelloWallet, provides automated, Internet-mediated financial guidance. Founded and led by 38-year-old political scientist Matt Fellowes, it has financial backing from Morningstar, Inc., TD Fund, Grotech Ventures, and Revolution LLC.

Vanguard is partnering with HelloWallet, the venture-backed start-up that provides the type of automated, low-cost, Internet-mediated financial guidance that suits the basic needs of mass investors, the slim budgets of corporate retirement plans, and the fiduciary responsibilities of plan sponsors.

Washington, D.C.-based HelloWallet, whose founder and CEO is 38-year-old political scientist Matt Fellowes, has financial backing from Morningstar, Inc., TD Fund, Grotech Ventures, and Revolution LLC. Vanguard will make the service available to its 3.5 million 401(k) customers, who also have access to the managed account services of Financial Engines, Vanguard said.

Anyone can go to the HelloWallet website, provide personal financial information, and get an instant assessment, followed by a quick financial plan by email. In response to one recent inquiry, the HellowWallet algorithm told a 34-year-old married parent of two children with a two-earner household income of $135,000 that he and his wife should have $35,400 on hand for emergencies and $325,000 already saved for retirement, assuming death at age 83.

According to a case study published by the Harvard Business Review in 2011:

“HelloWallet offers a range of services including PFM, financial planning, a system to aggregate users’ financial accounts, and an application to help users find financial products that are better deals than their current ones.

“While not the first to market with this type of service, HelloWallet differentiated itself in three major ways. First, it was independent, meaning it did not receive monetary incentives from financial institutions to push their products, nor did it receive payments (i.e., commissions) when individuals made buying decisions.

“Second, it looked at over 130,000 financial products to help users find the best products for them, compared to its competitors, which searched through a much smaller number of products. Third, because it was independent, it used a subscription model in which individuals paid a monthly fee.

The case… examines two key issues HelloWallet is grappling with: 1) How to price its product for its two different channels – the direct-to-consumer channel and the enterprise channel – and 2) How to proportionately allocate its resources for the two channels.”

According to Vanguard’s release:

“Employee members currently access the service through HelloWallet’s website and mobile app. Members input their goals and priorities and add their financial information, including income, bank accounts, credit

cards, retirement plans, medical and other insurance, and investments.

“HelloWallet creates budgets and analyzes trends in members’ financial behavior to recommend how they can make the most of their financial opportunities (e.g., 401(k) plan, health savings account, flexible spending account, or insurance), prioritize financial decisions, and identify ways to stretch their paycheck further.”

As of December 31, 2013, Vanguard managed more than $2.45 trillion in U.S. mutual fund assets. In addition to serving retail investors, the Valley Forge, PA-based firm provides full-service recordkeeping and investment services to about 3.5 million participants in almost 4,000 defined contribution plans.

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