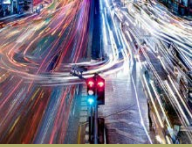




PROMISE & PERIL

Managing the Uncertainty of Rapid Innovation and a Changing Economy



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Managing the Uncertainty of Rapid Innovation and a Changing Economy

Panel 3: Wealth & Personal Financial Management

Moderator

- **Andre Reynolds**, VP, Federal Reserve Bank of Chicago

Panelists

- **Mark Goines**, Vice Chairman, Personal Capital
- **Randy Rivera**, Senior Vice President, BBVA Compass
- **Gary Stein**, Deputy Assistant Director, CFPB
- **Jennifer Tescher**, President & CEO, CFSI



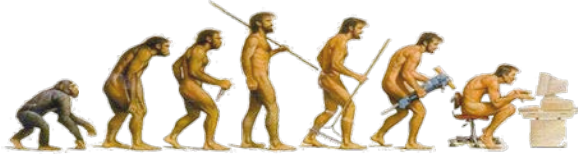
The Future of Wealth & Personal Financial Management

Mark Goines

Personal Capital

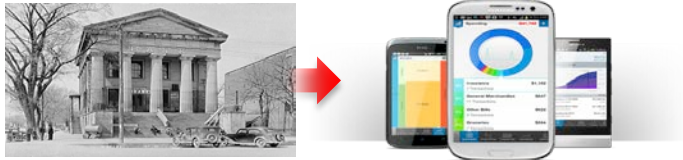
■ Digital disruption of advice

The Internet changes everything.



Every industry is being disrupted by computers and connectivity. But the two industries most profoundly changed will be **media and finance**. In e-commerce, you can order electronically but you still need trucks to deliver the goods. But in media and finance, there are no physical goods. You can perform the entire interaction – both directions – electronically. And when you do, it's faster, cheaper and, if done right, better.

From physical to virtual.



In the media world, the tsunami has hit. Old media is tottering. New media is sky-rocketing. In finance, not yet. But the wave is cresting, and poised to crash on the shores of decades-old delivery models. Wealth management has long been delivered physically – in offices, in homes and on golf courses. But increasingly, young and old clients alike would prefer the convenience of *not* having to drive to a meeting just to keep track of their money.

The transition from physical distribution to virtual distribution (the web, iPad, iPhone, Android and Apple Watch ... phone, email, chat, video and co-browsing) is a once-in-a-lifetime change that is poised to **up-end the way wealth services are delivered**.

The new spectrum of advice.

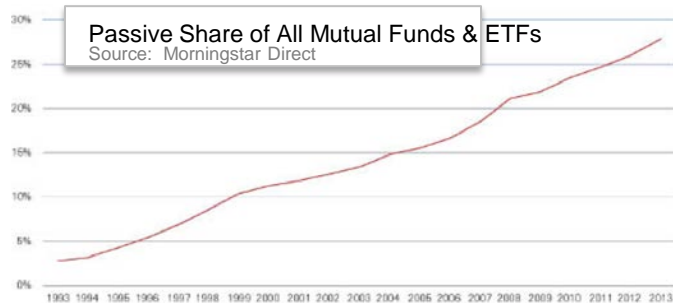


The individual investment world is artificially bi-furcated between advised and self-service offerings – black or white. On the self-service side, clients typically have access to first-generation electronic tools, but are on their own for strategy and decision-making. And on the advised side, the traditional advisor's role is "parental" – managing the financial affairs of their clients, whose main form of interaction are physical meetings and quarterly reports. But clients are not black or white ... they are many shades of gray. They want access *and* advice. **Digital technology allows the old lines between self-service and advised relationships to be broken** down and re-formed into a seamless whole that offers each client what they want when they want it.

Waves of financial industry change



Digital. Investors want electronic access to their money just as they have electronic and mobile access to the other parts of their lives.



Indexing. Academic studies show low-cost passive investing superior for long-term security of affluent investors. We use a smart beta methodology.



**PRODUCT
CENTRIC**



**CUSTOMER
CENTRIC**

Holistic. Financial firms are product-centric. Personal Capital is customer-centric, surrounding each family with comprehensive data, tools and advice.



Fiduciary. Brokers sell products. Advisors serve clients. The long march towards true advisory will be accelerated by the Fiduciary Standard.

■ ■ ■ Personal Capital Mission

Digital Wealth Management

Comprehensive and personalized financial advice

Virtual delivery across multiple channels: web, mobile, email, phone, video



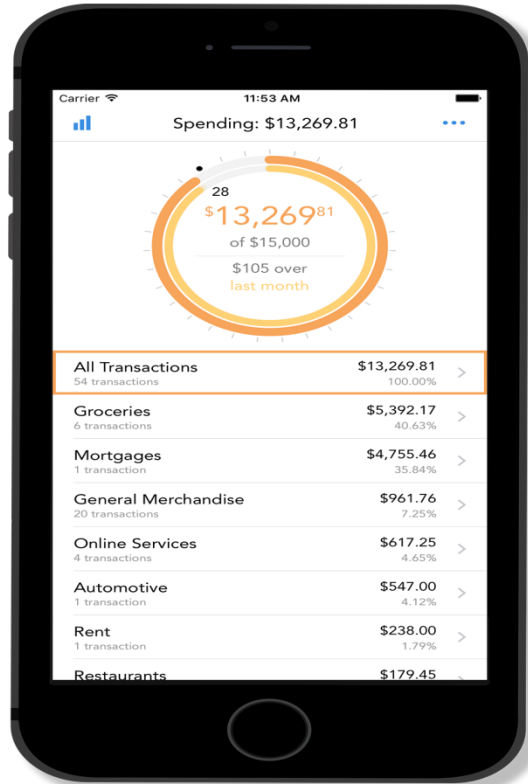
True advisory ... fiduciary relationship with our clients
Complete transparency ... simple and visible fee structure
Personalized service ... complete view of client's finances
Planning-centric ... built around a custom-built financial plan
Anytime anywhere ... real-time access to your money

Importance of data for planning



1 in 3 Americans
has nothing saved
for retirement

||| Aggregation and unexamined financial lives



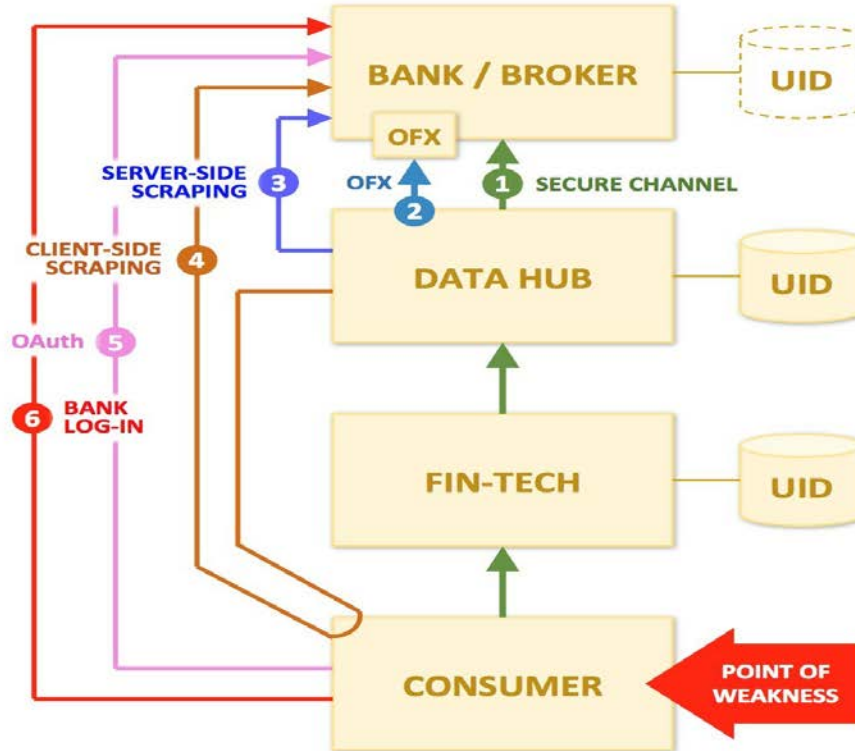
Most consumers have 5 Financial Institution relationships and over 10 accounts.

It is nearly impossible to examine your financial life without aggregating the data in one place

Methods of data access

METHODS OF PROVIDING CONSUMER FINANCIAL DATA

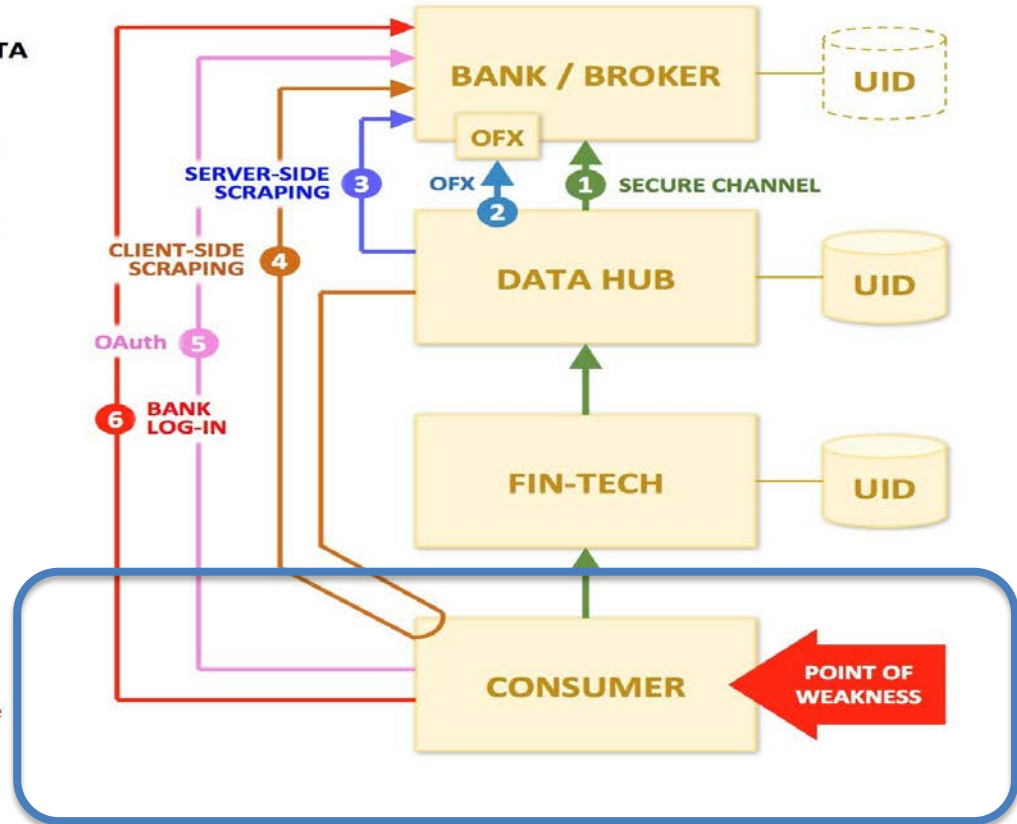
- 1 SECURE CHANNEL**
Data Hub connects directly to Bank to API with dedicated connection. Very secure.
- 2 OFX**
Same as Secure Channel, but using OFX or other protocol at the Bank. Very secure.
- 3 SERVER-SIDE SCRAPING**
Data Hub logs in to Bank and collects data from website. Highly secure.
- 4 CLIENT-SIDE SCRAPING**
Data Hub connects to Bank via software on consumer's device. Moderately secure.
- 5 OAuth**
Consumer sends password to Bank to receive a token. Less secure.
- 6 BANK LOG-IN**
Consumer logs in to Bank website by entering username and password. Least secure.



Importance of aggregators for safety

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