



500 7th Avenue, 8th Floor, New York, NY 10018

August 30, 2021

Jennifer Piorko Mitchell
Office of the Corporate Secretary, FINRA
1735 K Street, NW
Washington, DC 20006-1506

Via email to pubcom@finra.org

Re: Special Notice 6/30/2021: FINRA Request Comment on Effective Methods to Educate Newer Investors

Dear Ms. Mitchell:

The financial services industry is not set up to best serve everyday Americans. As you know, the [majority](#) of Americans live paycheck-to-paycheck, and [more than half](#) can't access \$1,000 in an emergency. That's why we are so pleased to see FINRA asking for insight into the best ways to educate Americans so they make better financial decisions. We could not pass up the opportunity to respond to a subject matter that is critical to our company's mission. We want to help everyone, including regulatory bodies like FINRA, understand the power of financial literacy by design.

We are a subscription platform empowering middle-class Americans to invest and build wealth. At Stash, we serve everyday Americans. Ninety-five percent of Stash customers have little to no investing experience.¹ By design, financial literacy is embedded within our platform. We are committed to making lifelong money skills as accessible, easy-to-understand, and actionable as possible. It's our mission to help as many everyday Americans as we can invest in themselves.

Today, instant gratification and day-trading continues to [surge](#), and financial education for the vast majority of Americans remains woefully [inadequate](#). Too many Americans don't understand the difference between trading and investing. Recently we've seen trends of gamification and social media coordination in investing. Unfortunately, the vast majority of Americans who are less financially literate, and typically younger, get caught up in these trends—and they are the most vulnerable. The old ways of educating this segment will not work. FINRA must continue to support investor education.

We believe that financial literacy and education must be deeply integrated into the customer experience by companies that have the customers' best interests at its core. Investment education must be paired with the act of real-life investing for those who are of legal age. Investment education must be integrated into screens and tools that customers can look at when convenient for them, or it will be neglected and ignored by the people who need it most. Additionally, providing financial education to America's youth will make them better prepared to invest as they become adults.

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You asked for comment on the single most neglected area in the field of investor education: We know that the best form of education is to learn by doing.

Since we were founded in 2015, more than 6M customers² have come to Stash to invest in themselves. Stash was a pioneer of fractional investing, allowing customers to open accounts and invest in increments as low as \$0.01.³ Our goal has always been for people to get started and learn the power of long-term investing via the design of our platform. Our product vision is based on the premise that long-term, diversified investing via regularly scheduled investments can yield higher returns and help people invest in themselves.

In support of our goal and product vision, we are also a registered investment advisor, and as such, we provide investment advice to our customers to help them make informed investment decisions. Throughout our digital platform, we provide tools that reinforce our philosophy—what we call [The Stash Way](#). Its pillars are: invest regularly, diversify, and invest for the long term.

Every new customer welcomed into our platform is met with the basics via our Stash Learn content. During on-boarding, customers are quickly introduced to topics such as: What is the difference between a stock and a bond? What does the term diversification even mean? Why is investing different than putting money into a savings account? This jargon-free introduction is just the beginning of the financial support and guidance we deliver to Stash customers across our tools and platform.

Here's how we embed financial education into our core product: Stash's investment tools include Auto-Stash, allowing customers to automate investments in low-dollar denominations on their preferred schedule, educating them on the benefits of investing regularly. It also includes Smart Portfolio,⁴ for hands-off investing that provides customers with a highly diversified portfolio of as little as \$5 that is managed by Stash, so they can learn the power of diversification. Stash's proprietary Diversification Analysis⁵ tool helps customers who prefer a "DIY" investing approach to maintain a diverse portfolio. It gives customers a diversification score based on their investments held in their personal portfolio, nudging them through design to diversify when it's recommended. **Those who engage with this tool have portfolios that are 2x more diversified on average than those who do not.**⁶

We also teach the power of diversification with our Stash Stock-Back® Card.⁷ As customers go about their daily spending they become owners in their world, as they are rewarded with a percentage of their debit card purchases back in stock. When customers spend at Walmart, Amazon, Netflix or Starbucks, for example, they earn stock in these companies. When they spend at a local car wash or pizza shop, they earn a custom investment of their choosing, either a stock or diversified exchange-traded fund (ETF). To date, we've awarded more than 36 million fractional shares to customers who use our Stash Stock-Back® Card.⁸ These rewards encourage people to invest in a more diversified portfolio: **One-third of Stock-Back® customers go on to make a follow up investment in the given stocks or funds.**⁹

We believe that all four of the tools we describe above embody "investor education."

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We also have learned that retail investors typically feel more comfortable investing in the equity of companies they know, for example in shares of Apple, Amazon, and Tesla. Many new customers come to Stash and will make their first investment in companies like these.¹⁰ These common patterns become an opening to teach new investors about the benefits of diversification and risks in holding only one or two stocks. To complement the tools highlighted above, we incorporate targeted messaging—for example, emails to people with low diversification scores or no exposure to certain asset classes—and make stock and ETF recommendations that will lead to diversification. This targeted content is augmented by a vast and growing repository of Stash Learn content, as well.

Our Stash Learn content has been free for all customers since we were founded, and it's deeply integrated within the app experience. No two customers are alike and each needs instruction that matches their life stage, goals, and risk tolerance. Stash believes personalization is key to successfully educating our customers. We create personalized, educational material across mediums—articles, videos, in-app messaging, in-app microcopy—and publish our own videos and podcasts. No matter the platform, our content always reinforces smart financial habits in plain language that everyday Americans can easily understand. (Our disclosures are also intentionally written to be easily understood.) We've [published thousands of pieces of content](#) on topics ranging from the latest market developments to practical solutions for life's everyday money situations—and we make it all accessible and available 24/7 in our customers' pockets. We meet our customers wherever they are.

We also continue to invest in education as a pillar of our company. Earlier this year we launched Stash101,¹¹ a free, hands-on education technology tool for teachers, parents and children. This tool includes simulated investing, which—consistent with our thoughts above on the importance of learning by doing—is an extension of that commitment, without the financial impact. Simulated investing is a powerful educational tool for all ages. To be clear: We support simulated “investing,” not simulated “trading,” and always enforce the pillars of the Stash Way (invest regularly, diversify, and invest for the long term).

This summer, we brought Stash101 to 160 students in Portland, Oregon who were participating in the Portland Interscholastic League Trajectory Math Program. In partnership with the Suh Family Foundation, a non-profit founded by Super Bowl champion Ndamukong Suh and his wife Katya; Big Yard Foundation, a non-profit founded by NFL star Brennan Scarlett; and Portland Public Schools, this first-of-its-kind program taught financial literacy to underprivileged student athletes. **The students' correct answers to our financial literacy exam doubled in just four weeks, from July 6 - 27, 2021.**

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The effectiveness of our approach is backed by data. Unlike some tech companies that use data analytics to inform dark pattern design such as infinite scrolling and day trading, we leverage data to encourage increasing financial acumen. We are committed to improving the customer experience so that our millions of customers can achieve their goals, and our analytics systems strategically monitor our customers' actions to determine how successfully we empower them to invest and build wealth. We measure our customers' financial literacy as part of a study we've conducted regularly since 2017. **Stash customers are 15% more financially literate than the average American, grow their financial literacy over time,¹² and almost half automatically save.¹³** Our customers have set aside more than \$3 billion on the platform¹⁴ thanks to regular and automatic deposits of \$31 on average.¹⁵

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To best serve everyday Americans, FINRA must continue to support the companies and products that truly operate with a customer-first mentality, including by skillfully integrating financial literacy into their products by design, and empower and partner with those companies in order to serve more people.

We thank FINRA for its attention to this topic and its continued support of investor education. We welcome and would look forward to working with FINRA on our shared mission around this topic and believe that, through working together, we can best serve investor education.

Sincerely,

Brandon Krieg
CEO of Stash Capital LLC
and its parent company, Stash Financial, Inc.

¹Based on Stash internal data of 1,697,192 Stash subscribers' self-identified investing experience, as of July 2021.

²This is not an endorsement or a statement of satisfaction by any Stash client.

³Fractional shares start at \$0.05 for investments that cost \$1,000+ per share.

⁴ A "Smart Portfolio" is a Discretionary Managed account whereby Stash Investments LLC (our SEC-registered investment adviser, our Stash RIA) has full authority to manage. Diversification and asset allocation do not guarantee a profit, nor do they eliminate the risk of loss of principal. Stash does not guarantee any level of performance or that any client will avoid losses in the client's account.

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⁵ Stash through the “Diversification Analysis” feature does not rebalance portfolios or otherwise manage the Personal Portfolio Account for clients on a discretionary basis.

⁶ This is derived from comparing the median Diversification Score between the Stash users who have interacted with the Diversification Analysis tool, which is 184,285 users, against the total number of Stash users who have at least one investment as, which is 1,963,972. This data is of August 12, 2021.

⁷ All rewards earned through use of the Stash Visa Debit card (Stock-Back[®] Card) will be fulfilled by Stash Investments LLC. Rewards will go to a customer’s Stash personal investment account, which is not FDIC insured. Customers will bear the standard fees and expenses reflected in the pricing of the investments earned, plus fees for various ancillary services charged by Stash. Stash Stock-Back[®] Rewards is not sponsored or endorsed by Green Dot Bank, Green Dot Corporation, Visa U.S.A., or any of their respective affiliates.

⁸ This value is defined as the total amount of Stock-Back[®] rewards received by all Stash customers as of August 20, 2021. This value does not take withdrawals into consideration.

⁹ This is derived from internal data of Stash users who have received Stock-Back[®] rewards and subsequently invested in the investments received. Data as of March 2021.

¹⁰ This is derived from internal data of Stash users’ first investments from February 25, 2021 through August 25, 2021. Of the 233,910 new users, 69,892 invested in Apple, 127,756 invested in Amazon, and 36,262 Tesla. This material is not intended as investment advice and is not meant to suggest that any securities are suitable investments for any particular investor. Investing involves risk.

¹¹ Stash101 is offered solely for educational and informational purposes and is provided free of charge. All statements, opinions and analyses presented within Stash101 are provided as general information. While Stash101 is affiliated with Stash Investments LLC (Stash RIA), an SEC registered investment adviser that charges fees, Stash101 is not an investment adviser and is separate and apart from Stash RIA. Nothing contained herein is intended to be, nor shall it be construed as, investment advice, nor is it to be relied upon in making any investment or other decision.

¹² Based on two surveys conducted online within the United States by Stash using SurveyMonkey technology in April 2021. The surveys were completed by 1,174 non-Stashers and 1,016 Stash customers. “Financial literacy” is determined and defined by the percent of correct answers to a series of financial questions by respondents, on average. Users were grouped into buckets by the number of months using Stash, then the average scores were calculated for each group, and the 12-month moving average was plotted to show the clear trend between tenure and score.

¹³ This is derived from internal data by comparing Stash users who have turned on the Auto-Stash tool with Stash users who have not. Data as of August 2021.

¹⁴ Value defined as complete incoming transfers from external funding sources to Stash across all brokerage accounts. This statistic does not take withdrawal into consideration. Total AUM calculated as of June 2021, across all brokerage accounts including IRAs. “Set Aside” is defined as complete incoming transfers from external funding sources to Stash across all brokerage accounts. This statistic does not take withdrawal into consideration.

¹⁵ This calculation takes the total sum of completed transfers via Set-Schedule for all Stash clients as of January 1, 2020 through December 31, 2020. This calculation includes transfers completed through Set-Schedule for taxable brokerage accounts, custodial accounts, and IRAs. This calculation does not take withdrawals into consideration.