

James Robert Lay:

Greetings and hello. I am James Robert Lay, and welcome to the 179th episode of the Banking on Digital Growth podcast. Today's episode is part of the Exponential Insight series, and I'm excited to welcome Chad Willardson to the show. Chad's spent almost nine years as the senior vice president of investments at Merrill Lynch before founding Pacific Capital in 2011. He is also the co-founder of GravyStack, an app and banking platform designed to empower parents to teach kids to be smart with money. And in 2021, Chad wrote Smart, Not Spoiled, which became an Amazon number one best seller, and is exactly what we are going to talk about today, as I'm a big believer in empowering the next generation for financial success, brings a tremendous growth opportunity for financial brands to capture today. Welcome to the show, Chad. It is so good to share time with you today, buddy.

Chad Willardson:

Grateful to be here. Thanks for having me.

James Robert Lay:

Absolutely. Before we get into your book, Smart, Not Spoiled, I always like to start things off on a positive note. What is good for you right now, personally or professionally? It's always your pick to get started.

Chad Willardson:

Life is great. First and foremost, I'm looking out the window and it's 87 degrees and sunny in early March. So there's no complaints here in Southern California. Business is great. We're growing exponentially right now and adding a lot of great people to our team. Personally, I would say one thing I'm excited about. My daughter, my oldest daughter, who's 17, she just got signed and sponsored by Air Jordan and Nike for basketball, which is a really big deal. It just happened last week. So that's something that we're super excited about. Unlimited Air Jordan and Nike stuff coming to the fam starting next week.

James Robert Lay:

That is definitely something to be excited about. And it's interesting you say that because I am watching and I'm a little late to the game on this one, the Last Dance. I don't watch a lot of TV. Actually, we had canceled Netflix and then we got our subscription back to watch Cobra Kai. And then I was like, "Well, everyone's been talking about this Last Dance and maybe it's worth 10 hours of my life."

James Robert Lay:

It's brought back so many memories as a kid for me, watching Jordan growing up and to get behind the scenes of that story. And I had just finished up the one talking about the sponsorship deal that he did with Nike. So man, it's interesting to bring that full circle with where you're at with your daughter, so congratulations on that. I know another thing that you've been doing too, and I had a great conversation with Scott back on episode 135, GravyStack. How are things progressing there on that front, and as we have many listeners from marketing, sales, leadership teams at banks, credit unions, and FinTech, what have been some of the lessons that you have learned on this journey of starting up a FinTech?

Chad Willardson:

It's very exciting. GravyStack is ... Our tagline motto is game, learn, earn, much more than just a debit card for kids, better than allowance. We're helping kids have fun, earn money and get ahead. And so it is much more than a debit card for kids. We're really incorporating a lot of cool game features that will keep kids engaged. We've got an in game currency called Grit, so they can earn Grits, but it's also a chance for them to earn real money and become entrepreneurs and learn about what they're good at

and how to make money, how to manage money. So it's exciting. Our launch state is actually 5/29, not coincidentally, but 5/29/2022. So we're just a couple months away from there. And Scott Donnell and I have been working daily on developments, just getting feedback from parents and kids and teens and trying to work on making that experience as kids log into the app as fun and engaging as possible.

James Robert Lay:

I think it's important, the way that you frame that, because I'm a big believer. It's not just about managing money, but it's also about making money. I think that's a huge gap that we have right now within quote unquote, financial education, financial literacy, which we're going to talk about out. And that's where your book comes into play, Smart, Not Spoiled. It does connect back to the work that you're doing with GravyStack, as I mentioned in my opening comments, and now I see a tremendous growth opportunity here for financial brands, for FinTechs to create or capture by educating and empowering parents to educate their children to feel financially confident, to be financially successful. Why did you write this book in the first place?

Chad Willardson:

I wrote this book because number one, I have five kids, my wife and I have five kids. And we understand how important it is to teach kids how to be smart, not spoiled. Everyone talks about how kids today have all this stuff that we never had. And that's true. Technology has changed the game. And they also maybe don't have an appreciation for money because everything is digital. And so they don't see necessarily the dollars in and the dollars out.

James Robert Lay:

That's a great point.

Chad Willardson:

That's not really their fault and the schools aren't teaching money. So I felt like I had to put something out there as a father of five and as a financial expert. I had to put something out there that was geared towards promoting financial literacy and financial independence and helping that become more of a family conversation, something that people avoid talking about at the dinner table. I wanted to make it more normal. So that's why I wrote the book.

James Robert Lay:

That's a great point. To make it, I would say normalize some of these conversations, normalize these discussions. I had [inaudible 00:06:26] on. She works in the mortgage space and we were talking about this idea, even just her own personal struggles financially. She has a financial coach. She works with a financial gym. And I think the more that we can facilitate these dialogues and discussions, the better off we're all going to be. I have a tremendous amount of conversations with financial brands, banks, credit union around the world when it comes to looking for growth opportunities.

James Robert Lay:

They ask me a lot of questions about future generations. 10 years ago the big buzz was millennials, but millennials, they're now all grown up. And then now it's Gen Z. If we look ahead in the future, it's going to be what some calling Gen C, Generation COVID. What do you see, and you touched on this, but maybe we can dive a little bit deeper. What do you see as some of the greatest threats for future generations when it comes to financial success, when it comes to feeling financially confident?

Chad Willardson:

I think it's having a base foundation. Most of these kids graduate high school not knowing anything about investing or debt or savings or compound interest or financial planning. They can graduate high school and know about dissecting a frog, or what are the inner parts of cell, and yet they have no clue about taxes. And yet they're going to be filing taxes after they get their first paycheck and their first job out of high school. So there's just a lot missing, and I think that the more we move towards digital currency, it's even less tangible. So these kids need a base foundation. It's like when you go on a Disney cruise or let's say you're at a casino, or you're at an amusement park, you're using, let's say a membership card or a token or a wristband to pay for things.

Chad Willardson:

And it's a proven fact that when you're not using actual currency, you're using a substitute, like a token, a chip or a card, you're more likely to spend a lot more because it just doesn't seem real to you. You don't feel the spending effect. And so with that being the movement towards this digital age of spending and consuming, kids see you punch something in on your phone and then there's boxes on the porch the next day. So they don't see the reality of money and how it works. And if they don't know how it works, how are they ever going to really manage it or earn it?

James Robert Lay:

That's a great point. It's almost like we have to figure out a way to make the intangible of digital tangible again. Because when you think about transforming behaviors, I look at four different stages, people have to see things differently so that they can begin to think differently, but just because you think differently doesn't mean that you're going to act differently. There's the feeling and the emotion that bridges the gap between the thinking and the action.

James Robert Lay:

Even looking at some research, more than half of Gen Z and millennials are investing in crypto, so there's that intangible piece once again. You're solving some of this problem through the work that you're doing with GravyStack, but I'd like to get your take. Where might there be opportunities for incumbents like banks, credit unions, maybe even other FinTechs, to address some of these threats here. How do we begin to solve some of these problems that are going to, I think, have some pretty big implementations for us, culturally, societally. We already know 85% of Americans feel some financial stress. Is that going to grow in the years to come, and what can we do about it?

Chad Willardson:

I think there are a lot of different answers to that question, but I would say the challenges we face as a society financially, is that we're overloaded with information and it's difficult to sift through what matters to me and what doesn't matter to me. So a family reading the financial news is bombarded with things most likely to be afraid of.

James Robert Lay:

Fear-based.

Chad Willardson:

So operating out of a space of fear is very challenging. It's hard to be successful when you're afraid that the world is going to collapse every time you wake up. So I think one thing is where do I get my information from when it comes to financial things? And do I have a base foundation? Do I understand where money comes from? Do I have any sense of where I'm headed financially? I think that's important. People just have no idea. So it's not their fault. They're not experts, but they don't know where they're headed. If I continue doing the things I'm doing today financially, where am I going to be

in 10 years and 20 years? And the sooner that banks, credit unions, or FinTech companies can reach and teach people, the sooner they can get that process and that foundation and the more successful these people and kids will be in the future.

James Robert Lay:

It's interesting, and I've never really had this thought before, but the negative news cycle, it creates that fear-based behavior, that scarcity mindset. There's an opportunity, I think, to maybe even transform some of that. You mentioned financial literacy, financial education. Another opportunity that I'm seeing is really building in financial coaching, as I mentioned before. You have the Financial Gym out of New York who's starting to do some of that, but building this into the actual operational model, to put the transformation of people's lives over just a commoditized transaction of dollars and cents. Maybe expand upon that thought from your mind.

Chad Willardson:

Yeah. I think that it's easy to make money as a financial firm, a bank or whatever, just having transactions and debit cards and credit cards and things like that. But if you actually engaged in the teaching and coaching process and helped people answer the questions that they have no one else to go to. Our clients at Pacific Capital, that's a different class of people. These are people with significant means and wealth and resources, but the average person out there doesn't have a financial advisor or financial coach. So as a bank or credit union, if you can offer some personalized coaching on the main issues that your customers have, and maybe just be that sounding board for big decisions they have, I think that's something that would really make a difference, rather than like you said, just transactionally working with customers, but actually becoming partners in their financial success in some way.

James Robert Lay:

Well, I see a lot of opportunity even to create some new income streams through programs like this, because I know a lot are, they're freaking out about the whole idea of overdraft protection and what's moving in that space. And if we lose that income, then what can we replace it with? This to me is one of those, it's like low-hanging fruit, but it's a matter of transforming the mindset within the organization to think once again, beyond the transaction. A lot of financial brands too, I think are, are held back when it comes to educating and empowering future generations because, oh, well that's a problem that we'll have to deal with in the future. But I look at this is more of like, and both of us are a strategic coach with Dan Sullivan, who's been a guest on the podcast as well.

James Robert Lay:

It's a Free Zone opportunity because if we can go in and identify, and this is where some data and analytics come into play, how many of our account holders are parents? Okay, well then we can segment that list. Those parents have kids, those kids are future accounts, and we know we see an exodus, particularly at a community level, a community bank or community credit union. They tend to go either they're going down the FinTech route, the crypto route, they're going into the big nationals. Where is there the opportunity to do almost a Free Zone of empowering parents to empower kids, because as you noted in your book, 75% of parents think providing financial guidance for their kids is part of a duty as a parent, but only 36% have clarity on how to do that. Put that another way, 64% of parents probably feel confused, frustrated, or overwhelmed when it comes to just talking to kids about money. How did we end up here?

Chad Willardson:

I think it's become less and less common to talk about it. And I think maybe it just came from the confusing financial world that we're in. With so many different sources out there, so much different

things going on. You've got the market's all over the place. You've got D5, you've got NFTs and crypto, which a lot of people are not sure what that even is. And so it's like there's so much out there and it's accelerating at such a fast pace that I think a lot of people just have thrown in the towel. It's like, I'm just trying to get by. And I'm not really sure what I should teach my kids because I don't have it all figured out myself anyways. So that really is why I wrote the book and why I also created the Free Zone and joined with Scott, me bringing financial content and him bringing the tech visionary expertise. And that's why I think GravyStack will be a big success.

James Robert Lay:

Yeah. And I think that idea of the collaboration, I've spoken about it time and time again on this podcast, it's where one plus one has the potential to equal 11. In the book, you share seven money skills that kids must master before leaving the nest. And as a parent with four kids of my own, I'm like, this is beautiful. This is so well laid out. It's so easy to understand. And we were already having conversations around, for example, making money, like entrepreneurship. My nine-year-old daughter, she's just a hustler. She's always looking for ways to make money.

James Robert Lay:

Even my oldest son, and it's funny because even with the books that we get from Strategic Coach, I've made a deal with my kids, particularly my two oldest who are 9 and 11 about to be 10 and 12, read a book, do a report, and then present that to me and you can earn \$5. The conversations that have transpired from that have been phenomenal. But if you come back to these seven money skills that kids must master before leaving the nest, what is one that you would recommend the dear listener to who comes from a bank, a credit union, or a FinTech, and they have kids, what would be the one that you would say, "Start here. Focus in on this." What would that be? If you could just pick one.

Chad Willardson:

It's a tough question to answer, but I would say that invest early and often. I think helping kids gain investment experience as teenagers is extremely important, so it's not a brand new concept. Learning investing is just delayed spending, just delayed gratification. So can we teach and train people at a young age to become smart investors and have them make small mistakes when the money is small, and not wait until they're almost retiring to make those big mistakes when the money is big?

Chad Willardson:

I think banks and credit unions would do great to have programs, maybe video programs or things to engage kids in investing that could help them have a little brand loyalty so that these kids say, "I want a bank with such and such company because they're the ones who helped me learn about our investing and get excited about it." There's a lot of opportunities there to really incentivize that kind of a learning process for these young people, but teaching them to invest early and often is going to pay the biggest dividends in the long run.

James Robert Lay:

What about learning to earn, which is what you noted in chapter five? Where might there be opportunities there to facilitate some of this at a local level? I see almost for lack of a better word, Shark Tank-like scenarios to really facilitate entrepreneurship. And I'm going to tell you why. I was just doing a career day for our oldest at his school. And I got invited to come and speak to 90 6th graders, four classes. And I asked what's entrepreneurship? Just to open it up. Maybe one, maybe two in the entire class of around 25, 30 kids, they had an idea of what it was. And the remaining, I'm like, "Let's talk about this." And everyone left energized and excited. They were going to go out and start lemonade stands and

hawk jewelry to their friends at school that they'd been making at home. Where's there the opportunity there, I think once again, coming back to a local, back to your point, brand loyalty to facilitate some of this at an early age, working with high schools to maybe bring entrepreneurship into the fold.

Chad Willardson:

I think there has to be partnerships in the community with local schools and local kids' organizations, to where you're facilitating those opportunities, giving them ideas, maybe even offering mentorships and coaching, maybe writing up resources and saying basically, if you're interested, these are some of the things that we suggest or we've seen young people do to be successful. Learn to earn is important because it's one thing to manage money, but where does it come from, and how do you get it? So teaching young people to be valuable, to find their sweet spot, find what they're excited about, that also people are willing to pay for, and then helping them actually go out there and learn by doing, I think that's critical.

James Robert Lay:

It also might be kind of like a local Free Zone frontier play as well, because now you are working with the schools, not just for financial education, not just for financial literacy, but then you can also bring in local businesses as well, to your point on mentorship, particularly like the SMB. And we know how critical the local community bank or credit union was during the whole COVID crisis. They were ones who stepped up. They were the ones who provided the PPP. I think that might be an opportunity as well, to do some more local collaboration and everyone would win. It's a win, win, win for everyone. As you look ahead towards the future of, we'll just call financial services banking. What are you feeling most hopeful and excited about personally?

Chad Willardson:

As I look forward, I think I'm most excited about the way that things have become accessible to everyone. People can learn so much and there's so much access to investment opportunities. I think everything has become brought down to the average family, that they can afford some kind of investment opportunity or financial literacy. You can learn a lot on YouTube even. When I started at Merrill Lynch almost 20 years ago, people had to call us to get stock prices. They couldn't even look up stocks, so they would call us to get stock prices and we would place stock trades for them on the Stock Exchange. And now a kid can open up a Roth IRA and begin investing in all kinds of different things that they've studied about and learned about on their own. So I think the information wave has really opened up. There's pros and cons to it, but I'm excited about the fact that there's so many resources out there now that weren't there 20 years ago.

James Robert Lay:

Yeah, it's interesting because we look at what Peter Diamandis writes about, how everything gets digitized and then it gets democratized and then demonetized, and we're seeing that with the decentralization. But I feel like what you're tapping into here is almost demystification. We have to demystify all of these things that have historically been very complex, to make these ideas very simple, and you've done such a fantastic job of doing this in Smart, Not Spoiled. As we begin to wrap up, this has been a great conversation. What is one simple thing, very practical, that a financial brand, a bank, credit union, FinTech could do when it comes to educating and empowering their account holders, particularly parents to educate and empower their kids to be smart and not spoiled? What's one small thing, one small step that they can take going forward?

Chad Willardson:

If parents' specific conversation topics that they can have with kids, we want to make family conversations about money healthy and consistent. And so I would say providing your account holders and your parents that you're working with, here are a list of things that you can talk about with kids about money, and here's what we recommend. Here's some resources, websites, videos, whatever you might want to take your family to, but here are topics that you should start teaching them at a young age. And I think just giving them the resources, it's hard to know what to talk about as a parent, and giving them ideas, sourcing those ideas is going to be very beneficial and create some brand loyalty for sure.

James Robert Lay:

A little bit of curation, a little bit of collaboration. I'm going to build upon this idea. I have seen and I've worked with a couple of financial brands that have built programs around thinking like this, that are facilitating more of peer group dialogue and discussion that they then leave and then they talk at home and then they come back and then they're like, what happened? What came out? What would maybe be a great talking point or discussion opener as a parent to bring back in and have a conversation say around the dinner table?

Chad Willardson:

Maybe even just family budgeting. Talking about the bills of the house, what does it cost to live the way we live? Maybe you don't want to share your income stuff with your kids yet, that's fine, but you could talk about how much we spend on groceries, how much we spend on the light bill, the electricity, the AC, the gas, the rent, the mortgage, whatever it might be. But I think having a conversation so that kids can appreciate what we're paying to live the life that we live. I think it goes over their heads and they don't understand, but I think that's something that we can start to have a conversation about.

James Robert Lay:

I remember my first job, one of my very first jobs was at Old Navy and I was making, I think \$6.10 an hour. I was 18 years old. And I'm having some of those conversations with my kids, like for example groceries, or going out to dinner, like it would take this many hours to pay for this meal right here. And that's where light bulbs start to go off. It's like, ah, I'm starting to see, I'm starting to understand. The other thing too, that we have done as a family, and I think it comes back to a point you were making before about scarcity mindset versus an abundance mindset, my kids will call me out on this. If I don't ask them this one question at dinner now, they're like, "Dad, are you going to ask me what was good for me today at school?"

James Robert Lay:

And I'm like, "Oh yeah. So tell me what was good for you?" It's like everyone goes around and they talk about what was good about their day, and it's a great conversation that I think it's not hard. It's just one that we have to commit to make going forward. Because even to the point in your book, and as I've shared on stage many times before, it's far easier for parents, even for couples, to talk about sex than it is to talk about money. And I'm right there with you. I want to normalize this because once we start talking, we can bring some new awareness going forward into the future. And back to your point on tools and resources Smart, Not Spoiled: The 7 Money Skills Kids Must Master Before Leaving the Nest is a great resource to facilitate that. Where can someone grab the book is listening? Where can they go to get this?

Chad Willardson:

Best place, honestly, is just Amazon, all formats. We got the audio book, the Kindle, the ebook, the hard cover and the soft copy. So Amazon's the best spot.

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James Robert Lay:

Get the book, have great conversations and speaking of conversations, this has been a good one, Chad. What is so some way that someone can continue the conversation with you going forward? Just to connect with you, reach out.

Chad Willardson:

Yes. I'm very active on LinkedIn, so if you can look me up, Chad Willardson on LinkedIn and follow there, and then [pacificcapital.com](http://pacificcapital.com) is my main business page. So those are the two places you can find me.

James Robert Lay:

Connect with Chad, learn from Chad and Chad, you are always sharing good insight on LinkedIn. I can attest for that. So connect with him for sure. Chad, thanks for joining me for another episode of Banking on Digital Growth. This has been a lot of fun today, buddy.

Chad Willardson:

Thank you. Appreciate you having me on.

James Robert Lay:

As always and until next time be well, do good and make your bed.