NEXT

FIREFIGHTERS Avi Karnani (left) and Ori Schnaps have built Thrive to deliver cool-headed, long-term financial planning.

Investing in a World Gone Mad

Giants like Fidelity and hot startups such as Thrive are developing new technologies to soothe bewildered investors.

BY ANYA KAMENETZ

AVI KARNANI GOT OUT of high finance not a moment too soon.

It was the summer of 2006. The 27-year-old New York University grad had worked at Citigroup and MSD Capital, Michael Dell's family hedge fund—"dorky, traditional finance stuff," he says. In his spare time, Karnani often found himself making out budget spreadsheets for strapped friends. "I wanted to build a company that was going to help people I knew and take on these predatory [banking] industries—a real pie-in-the-sky thing." So he quit his hedge-fund job, hashed

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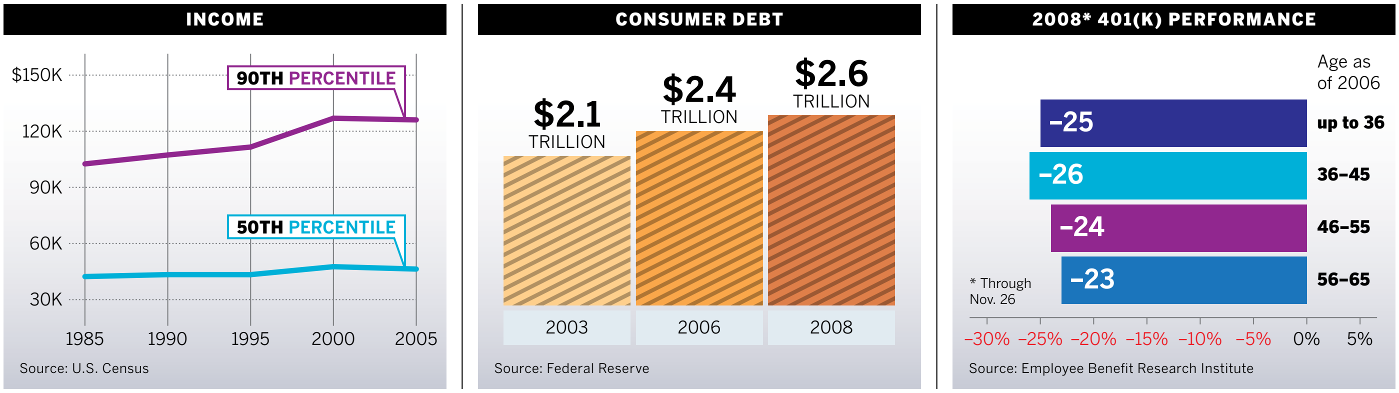
AMERICA'S FINANCIAL DASHBOARD



ROCK BOTTOM? Household income had been holding steady, but consumer debt has passed $2.5 trillion and 401(k)s took a beating in 2008.

out his idea for an online financial-advisory engine on a road trip from New York to the Nevada desert for Burning Man with a programmer friend, and met his cofounder, Ori Schnaps, on Craigslist.

Today, that idealistic move toward financial services that actually help people is looking incredibly prescient. Just as Karnani's old employer, Citigroup, was imploding, his startup, Thrive, was attracting more than $100 million in total assets in just two weeks from thousands of people. His backers hail from Apple, Google, PayPal, and Yahoo.

Thrive's success is emblematic of a nascent industry shift toward tech-driven financial-advice tools. Instead of pushing you to check your portfolio performance every two minutes and *trade! trade! trade!,* new Web-based services seek to empower users by simplifying investing and financial planning. Mutual-fund giant Fidelity is partnering with EMC to bring the $13 billion data-storage company's 20,000 U.S. employees a comprehensive online benefits-management program called WealthLink, complete with individualized financial projections based on life goals such as buying a house or having kids. Mint.com, the largest online personal-finance service, added investment tracking last fall, allowing users to see all of their brokerage accounts, total asset allocation, and performance versus the market in the same place as their spending and debt.

In a year in which stock volatility hit a level not seen since 1929, these new services are Paxil for the market's generalized anxiety disorder. "Since the financial crisis, the number of new registrations has doubled. We're getting 3,000 to 4,000 a day," says Mint CEO Aaron Patzer. "We think it's the future," says Fidelity VP Adam Stavisky of WealthLink. "I talk to companies every day going down this path." The question that remains is how effective these Web tools can be in guiding average folks through the gap between the one-size-fits-all punditry of CNBC's Jim Cramer and one-on-one private financial advisers.

Karnani says that Thrive is a "60% or 80% solution" for financial advice, akin to Expedia entering the world dominated previously by airlines and travel agents. When you sign up to Thrive's free service, you give it your passwords to your bank and brokerage accounts. Thrive crunches the numbers and returns directives in plain English, based on a hierarchy of budgeting, debt management, rainy-day savings, and then investment. (Thrive prompted me to immediately shift my savings into a higher-interest account—simple, but I needed the reminder. It also calculated that I could survive without a job for 246 days, but would retire on only $10,719 a year. Time to step up that 401(k) allocation.) Intriguing features include a personalized "financial health score" and even recommendations based on your risk profile as determined by a personality test. The investment engine, which was in alpha mode at press time, will guide users through setting up a 401(k) or IRA and choosing an asset allocation in the low-cost, index-fund, buy-and-hold mold.

Thrive's lead scientist, Matt Wallaert, 26, who left a PhD program at Cornell to oversee the site's usability, worked with noted psychologist Barry Schwartz, author of *The Paradox of Choice,* and drew on Schwartz's research to simplify Thrive's investment recommendations. "We'll be structuring the decision in a way that doesn't give people 200 options," he says. "You want to make it as easy as possible for people to say yes."

Of course, financial planning is more complicated than vacation planning. Because of fiduciary responsibility, Fidelity can't recommend specific strategies or allocations to employees for which they're administering a benefits program like EMC's WealthLink. Thrive's business model, like Mint's, depends on advertising and referral fees, which raises potential conflicts of interest in their recommendations. In the end, their success in maintaining trust—and peace of mind for newbie investor customers—will determine whether these businesses flourish.

Even though the business model may be shaky, the idea of a Web-based advisory engine is promising. In this market, we all need someone to hold our hand, even if it's on the other end of a mouse. FC

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