

DOPE LABS

Transcript of Lab 021 ____

Zakiya: It is 2020.

Titi: Happy New Year!

Zakiya: You know, at the top of the year, everybody, I feel like is holding that mirror up and saying, "what am I going to do different this year?"

Titi: Yes. You see all the commercials for gym memberships and things like that, because people are trying to get their their fitness in order.

Zakiya: Yes,.

Titi: I need to do that as well.

Zakiya: I feel like you can always count on a couple of things. You can count on people getting gym memberships. And saying they're working out, people packing that lunch. People are saying, "I'm not gonna eat out as much this year".

Titi: I tweeted that. I tweeted that the other day. I was like, "the motto for 2020 is you have food at home. Eat what you got in your fridge, Titi"

Zakiya: Yes. And I think people are hyper focused on their pockets.

Titi: Definitely.

Zakiya: And, you know, that could be for many reasons. I think sometimes after the holiday season, after you've purchased all those gifts.

Titi: Yeah, I feel like I was in a better space because I told everybody no one is getting a gift. No one over the age of six is getting a gift

Zakiya: That's perfect. I'm behind it.

Titi: I'm Titi.

Zakiya: And I'm Zach here.

Titi: And from Spotify studios, this is Dope Labs.

Zakiya: My timeline has been filled with people talking about cutting expenses and generating new lines of income. Sometimes people say, I didn't do as much with my money or I didn't do as well with my money. In 2019 so in 2020, I'm going to make some changes. Have you seen that kind of stuff?

Titi: I've seen some names that are like, oh, how to save, you know, a few thousand dollars by the end of the year. And it has like a metric where it's like if you save, you know, two dollars every day, then you'll be able to get to a certain amount of money. Or if you save like two dollars and four dollars and six dollars and things like that. And so people are trying to find all the cheatcodes to level up with their bank account.

Zakiya: And I think this puts us in just the right position to kind of jump into some of the tools people are using to hit these financial goals.

Titi: Because there are a lot out there.

Zakiya: So this week we're talking about...

Both: Fintech.

Zakiya: Fintech, a short for financial technology in order for something to be considered fintech. It must be technology that connects you to a financial system.

Titi: So like to your bank or your credit card or something like that.

Zakiya: Right. And you may think you don't know any fintech apps, but I guarantee you that you do.

Titi: Yes, fintech apps are basically running our lives and we had no idea.

Zakiya: There are a couple of different categories and I won't hit all of them, but those that are kind of digital banking, so Chime if you've heard of that. Those that let you send different payments, so venmo, Samsung pay...

Titi: Cash app.

Zakiya: Business tools, so things that help you if you have a business that help you kind of run your business. Retail investing, so Acorn, if you've heard of that one or Robin Hood or Symphony, if you use that banking system. Crowdfunding. So Kickstarter is a fintech app.

Titi: Go fund me.

Zakiya: That's right. And Patreon is a fintech app as well. Even some new insurance options are actually financial technology companies.

Titi: Yes. Like there's stuff for car insurance, medical insurance.

Zakiya: If you're already using these or thinking about using when we're here to help you learn a little bit more about how these apps work and how they can work for you.

Titi: And how you can get yourself situated for 2020.

Zakiya: So let's get into the recitation.

Titi: Now that we know some examples of what fintech is. What questions do we have?

Zakiya: I want to know how these apps make their money. Should I trust them? Are they selling my information?

Titi: Are they robbing us and we don't even know?

Zakiya: What makes people use these apps. And if I'm trying to save more money in 2020, which apps should I use? What strategies should I follow?

Titi: OK. So now that we know the questions that we want to ask. Let's jump into the dissection

Titi: Fintech is a major industry. By September 2019, about 2700 fintech startup companies raised over one hundred and sixty billion dollars of capital.

Zakiya: That's a lot of money.

Titi: Lots.

Zakiya: The various types of fintech can be broadly clustered into categories like consumer lending, point of sale systems, retail investing, personal finance, money transfer and crowdfunding just to name a few.

Titi: We're gonna walk through some of the different categories, highlighting the positives and negatives. Then we'll outline strategies using these apps to reach your 2020 financial goals.

Zakiya: And to help us get into the nitty gritty about all things fintech, We called on Dr. Bill Maurer.

Dr. Maurer: My name is Bill Maurer and I'm an anthropology professor at the University of California at Irvine, where I direct a research center called the Institute for Money, Technology and Financial Inclusion. And basically at that institute, what I study is the interaction between

new technologies and how those things interact with peoples existing financial practices, savings, behavior, their understandings of money and value, their understandings of debt and so on.

Zakiya: FinTech is all around us and it can feel like these apps have been around forever, but that's not exactly the case.

Titi: Yes, so our first question for Dr. Mario was when did all of this stuff start popping up?

Dr. Maurer: This really kind of hit the scene in a big way in 2008 and 2009 with the launch of the iPhone.

Zakiya: Yes, the iPhone launch in the U.S. in 2007. But the iPhone 3G came on the scene in 2008.

Titi: Revolutionary.

Zakiya: Changed everything.

Dr. Maurer: All of a sudden people have this really cool device that fits in their pocket and is basically a terrific interface into a whole bunch of different applications are a whole kind of app ecology grew up around the iPhone and similar devices. And people in Silicon Valley and in the banking industry and payments industry started realizing, hey, this device, this suite of devices and apps could really change people's relationship to their money into the existing financial and banking infrastructure.

Zakiya: I love that he describes this as ecology because we've talked about ecology on a couple of different episodes.

Titi: Yes.

Zakiya: And so the ecology is just how different things usually in biology we say how different organisms interact with one another. But now we're saying, how do these different apps talk to each other? How do people want to access the information now that they have a smartphone? So it's really cool to think about this in the context of more of a relationship.

Titi: Yes. So these apps have created their own special environment.

Zakiya: That's right. So the first category we're walking through is personal finance. These are apps like Mint, Credit Karma, You need a budget, and even your personal banking app. Generally, they help you manage your spending and saving.

Dr. Maurer: These apps basically serve almost as like training wheels. Right. So it's like training wheels on a bicycle that teaches you a little bit about budgeting and investing or savings. It's usually not enough to get you where you need to go, but it gives you basic skills and a basic vocabulary. So then you can start talking to other people, to friends, to your parents, or even walk into your credit union or bank and start asking better questions.

Titi: And these apps or services can be really good for helping people make smarter financial decisions. This help comes primarily in two ways. The first is by data visualization or giving people charts and graphs to show them what they're really doing with their money.

Dr. Maurer: For so many people. Money is just coming in and going out and they're not really being mindful about it or paying any attention to where things are going.

Zakiya: We all know we're getting more than the basics when we go to Target.

Titi: Yes,.

Zakiya: You get stuff that's not on your list.

Titi: You went there for toilet paper. You came out with a flat screen TV, The hair supplies.

Zakiya: That little one dollar area in the front is a wrap.

Titi: It is.

Zakiya: I'm in there getting all seasonal decor, whatever they have I'm grabbing it.

Titi: Like I do need a new toaster.

Zakiya: I think we would all be shocked if we could see just how much we're spending at Target every month.

Dr. Maurer: What most of these budgeting apps do you as they connect up to your your bank account and your your debit card in your credit card, all of your accounts. And they're constantly pulling data in from those accounts. So they're seeing what you're doing and then they can re-present that data to you with cool visuals and graphics to help you understand where your money's going and and to help you change your behavior, at least in theory.

Zakiya: Yes. For me, I'm a visual learner. So, you know, just seeing the dollar signs I'm like "yeah money is going down." Right. But when you see that pie chart in, it says, hey, 60 percent of your shopping was at Target. That's a reality check.

Titi: Yeah. For me, I realized that I spend way more money on pizza than I do on like toothpaste.

Zakiya: Unless you're eating that toothpaste. One of the fintech apps that I use and I used a couple of years ago is Mint.

Titi: Oh, I use that, too.

Zakiya: Really? I like mint because it will kind of show you all these different categories. You can create some new categories and make you say, "hey, you're spending more on this this month than you did last month."

Titi: Right.

Zakiya: Or outside of your budget.

Titi: What Mint showed me is that I use Lyft a lot and so I was like, "you know what. Titi? Sometimes you don't need someone to drive you. Sometimes you can drive yourself."

Zakiya: Or walk.

Titi: *groans* That's not a part of my new years resolution. I hate working out!

Zakiya: So for us, these types of visualizations really help us understand what some of our spending patterns or trends are. But the other way fintech helps people be smarter with their money is through gamification.

Dr. Maurer: And what that means is, you know, there's little points that you earn or little stickers or stars or there's bars that fill up with, you know, green or the you know, the red. The red circle slowly turns into a green circle.

Zakiya: Even though I don't want to believe that I'm swayed by this type of gamification, I know that is true. I want to get all the stars, all the stickers. I want to have nine lives, whatever it is, I want to get the super plus bonus. All right. I want all those things.

Titi: You know, you drive in our Wazr and you see that that little power thing come in. It's like, oh, once you cross this place and you get 10 points. I be so excited. I don't even know those 10 points do.

Dr. Maurer: And this is just tapping into basic psychology, right, of like we get a little reward for doing something. And our dopamine goes crazy in our brain and we're like, you, that felt good. I want more of that.

Zakiya: And there you. FinTech makes you feel good.

Titi: I love a gold star. Or, you know, something filling up green or whatever. It makes me feel like go Titi! go Titi! go Titi!..

Zakiya: While data visualization and gamification might help us make smarter decisions. The fintech environment also brought about some new norms that make managing your spending a little bit harder. One of the things about some of these apps and what and I guess you could call this a downside is that they sometimes send you mixed messages.

Titi: Right. So you might be spending a lot of money on pizza, but then you get an ad that it shows a coupon for a pizza place.

Zakiya: So why is that?

Dr. Maurer: Some of the budgeting apps, the the apps themselves make their money by selling ads to you or by, you know, kind of making you offers that they get a little bit of a return on.

Zakiya: So now that you know that you can avoid those ads. So sorry, Titi doesn't mean that you get more pizza.

Titi: Fine.

Titi: Another category is point of sale and shopping. These are apps like Venmo, Cash App, Pay Pal, Zelle and Square. And we use these apps to purchase products or services. It makes paying really easy and avoid some of the hassle of cash transactions. It's also a really great tool for some small businesses because they can avoid the fees that are normally attached to card purchases. And it's good for the customer because then we don't have to have a minimum amount purchase in order to use these apps like we do with a credit card.

Zakiya: I think initially I was a little skeptical in some of my friends were skeptical about these apps.

Titi: I definitely was skeptical at first.

Zakiya: And now it feels like everybody's using them.

Dr. Maurer: You know, it just became it became so generalized and second nature to people over time to just start putting their credit card information into everything. Right.

Zakiya: But what we know, maybe this is based on some of my own personal experience.

Titi: It is.

Zakiya: Is that these apps make it really easy to spend money because often all of your information is already stored or repopulated in the app.

Titi: Yes. Because the way that smartphones I set up these days, everything auto populate your name, you address your cell phone number, your Social Security number, your mom maiden name, what you ate for breakfast, everything.

Zakiya: And we talked about how putting credit card information.

Titi: Yes.

Zakiya: Into your browser.

Titi: We talked about that on our end of the year mixtape.

Dr. Maurer: When you have mobile browsers and even browsers on your on your computer that auto populate your credit card information, right that save it and auto populate. You're like, "oh, yeah. Okay, cool. Yes. I will buy all of these things on Amazon right now because my card is already there."

Zakiya: That can lead to a lot of late night shopping. I do admit.

Titi: I did buy that cool aunt sweatshirt.

Zakiya: I knew it! I knew it. The thing here is these various types of fintech can make capturing your coins really easy, but it also can make giving them away pretty easy too. So be careful with it. The next category is consumer lending. These categories include Affirm, Afterpay, credify and Bond Street.

Titi: Are these apps?

Zakiya: Not exactly. All of these are apps. So affirm is something you'll sometimes see on a website when you get ready to check out. It may say you can split your payment into you know, you can do this with zero percent financing over twelve months. Peloton offers affirm. I've often seen on like shot bop and some other websites they offer after pay. So you buy and you can play later.

Titi: I've seen that on Urban Outfitters and a lot of different clothing websites now.

Zakiya: And there are some technologies like Zelle that, yes, have a standalone app but are also integrated. So Zelle is integrated if you have Bank of America, Zelle is an option. If you have Wells Fargo, Zelle is an option. It's own now. That's why 1 in 2 people to have a bank account have access to Zelle. That's amazing, because they did. They have the best of both worlds. You can download another app or you don't have to. You just use it in your own banking app. It's pretty clever.

Titi: Definitely. It gives people the opportunity to make purchases that they can't afford all at once and pay it off in tiny chunks.

Zakiya: Let's just take the holidays, for example. If I don't have cash or credit, I might take a payday loan and those things have incredible interest and have all these fees attached to them. But something like affirm or afterpay allows me to make a purchase and I can pay it in small chunks. Though this still requires you to have some type of credit. While offering more payment options is really great, some of these fintech apps use something called alternative risk scoring. This is a practice that can mine other types of data to determine your credit worthiness.

Titi: Yes. So some consumer lending companies have access to our social profiles, our cell phone location information and browsing histories, and they're using that to determine our credit worthiness.

Zakiya: The key thing here is that all of these different companies have proprietary algorithms.

Titi: An algorithm is an equation that is used to determine a risk or an outcome. What some of them might be doing is taking like your browsing history. And putting that into their algorithm to determine your credit worthiness.

Zakiya: So the thing to remember is that these algorithms are proprietary. That means they belong to those companies and they don't have to share what the algorithm actually is. The problem with that is that if we don't know what information is being collected or used, we can't really tell if it's being used correctly or maybe being misinterpreted.

Dr. Maurer: One of the really pernicious things here is you'll have people in the industry who will say, "oh, hey, it's an algorithm, it's a computer. This is going to eliminate bias because you're not going to have, you know, someone sitting in a loan office looking at someone across the table from them where implicit or explicit bias can creep in. This is totally neutral. It's the computer." But so much depends on the data that's fed into it. The histories of how those data are collected.

Titi: Yeah. I mean, what if my niece has my phone? She's five years old and let's say she's been on YouTube binge watching cartoons. And then the consumer lending company sees that and they may consider a YouTube binge watching cartoons, a negative marker in their algorithm.

Zakiya: But we have no way of knowing that, right?

Titi: We don't.

Zakiya: So that's kind of the tricky part about all of this. You know, we've talked about bias in the past, but this is something to really consider and this is something that the new Apple credit card really recently came under fire about. So the Apple credit card, which is paired with Goldman Sachs. There were reports that it may have some type of bias against women.

Dr. Maurer: Women are getting lower credit limits than their husbands, even if they have the same household in the same bank account. And that sort of thing.

Zakiya: So there's something in that algorithm that's giving them that. And it may not even be explicitly, if you're a woman, lower if you're male higher, but it could be something else around patterns or trends that we don't even realize. But we don't know that algorithm. So we can't say.

Titi: Right.

Zakiya: Right now, New York state regulators are investigating whether Apple Credit Cards algorithm is sexist.

Titi: When we come back, we'll talk about how you can make smarter financial decisions in 2020 and how to evaluate what fintech to try.

Zakiya: We're back. So how can we make smart financial choices in 2020? Is there a way to use fintech for our good? According to Dr. Maurer, you shouldn't rely entirely on technology to get your finances back on track. Instead, you should use it as a tool part of your larger strategy. And the first step of that strategy, should it be to download an app. It should be to set a goal.

Dr. Maurer: Set for yourself a realistic goal. And a realistic goal might be something like I'm going to pay off 20 percent of my credit card debt this year. Right. Not 50, not 75, not all of it. I'm just going to pay off 20 percent of it. And then you can use those apps to track how you're getting toward that goal.

Titi: Having a realistic goal is important because otherwise you can get frustrated and just give up. The second step of your strategy should be a debt assessment. Pull together all of your loans, credit card balances, car loans, student loans, all that stuff, and compare their interest rates.

Dr. Maurer: And start really focusing on those highest interest debts, the highest interest credit cards. Pay those off first. Right, and then work your way down. Don't waste your time going all like investing in bitcoin or whatever. While you're trying to pay off your debt. Right. You're focusing on paying off your debt.

Zakiya: Yes. You have to crawl before you ball. Focus on your debts before you start investing.

Titi: Yeah. Invest in yourself before you're investing in other things.

Zakiya: So we have a strategy for debt. How should we manage the rest of our budgets?

Dr. Maurer: There's the 50, 30, 20 budget rule. And this is the thing that Elizabeth Warren and her daughter came up with. And basically they're like, you should allow yourself 50 percent on your actual needs. And that's like you're your rent, your mortgage, your food, medicine, stuff, that kind of thing. And then they say 30 percent on your wants, on your desires, and then 20 percent to your savings and or paying off your debts. I think that's a pretty good rule. The only thing I might do is like, flip it, flip those last two so that you're allowing yourself, you know, 20 percent on your wants and then 30 percent on your your debts and your savings.

Titi: Even though fintech is about making transactions easier and more convenient to help keep our spending under control. Dr. Maurer suggests that we make things harder for ourselves. So don't have it so that your information, your credit card information, auto populates in Amazon or anything like that, make it so that you have to physically put it in every single time.

Dr. Maurer: And that's going to create a tiny little mental speed bump so that you think about it just for like 10 more seconds. Anything you can do to slow yourself down is going to help.

Zakiya: So now, if my information doesn't auto populate on my iPhone when I'm searching in the night, I'm going to have to message you and say, "hey, here's this link. Can you buy this for me? I'll Venmo you tomorrow. "

Titi: OK. Sure. My stuff is still stored.

Zakiya: You're not going to take it out.

Titi: Dr. Maurer actually said that that's a good idea.

Dr. Maurer: Even that, I think is better, right? If you do a thing of like, you know, "Hey Titi, can you buy me this thing? I'll Venmo you" and then you're spending all that time texting and then Titi's like, "what does Zakiya really need that?" And then maybe Titi's like, "do you really need that?" And Zakiya is like, "yes, like, shut up, give me the thing that I need. And I'll Venmo, you." You're putting more space, right? You're giving you're putting more time and more thought and hopefully a tiny bit more intentionality into that purchase before you make it. And you've also done another thing, right. You built in some accountability because now your friend knows the stupid things that you're buying with your money.

Zakiya: I think I make really great purchases. So if Titi says its stupid I'm going to say you're not thinking about this in the right way, let me add some perspective.

Titi: And then we'll have a long conversation. And maybe by the end of that, you won't want it anymore. So when you're ready to use fintech as a tool in your financial strategy, how do you evaluate which one to go with? There are two big things to consider. One is fees. Some apps make a profit by charging you to use their services. And those fees can add up. So read the terms and conditions carefully. The other thing to research closely is the company's customer service.

Dr. Maurer: If there's no easy way to communicate with with an app or you have a question and you can't get it answered, that's a big red flag, right? If you can't pick up the phone and call someone or you can't get into a little, you know, in a in a chat box and talk to someone or there's no way to email them, then I'd I'd be a little bit concerned.

Zakiya: Ultimately, fintech is supposed to work for you. And if it's not, you can always go old school. There's no shame in ditching the tech.

Dr. Maurer: Sometimes it's actually easier for people to save with cash. Have that material cash in a drawer, lock it up. Don't go in there. Don't look at it. Only think about it, you know, on payday. And then when there's a big chunk of it and it's making you're making you nervous or making you twitch, just take it to the bank.

Zakiya: One of my favorite things is to use cash.

Titi: Oh, I don't even know what that looks like anymore.

Zakiya: I'm sure you dont. Titi is all digital.

Titi: I don't carry cash. I don't have. I have a quarter. I don't have a nickel. I ain't got none of it.

Zakiya: I'm always the friend that has some cash. You know, I'd like to start out and say this is how much cash I have for just ridiculous purchases. This is my cash for a Whole Foods, for coffee, for a soft drink like this my cash for that.

Titi: Mm hmm.

Zakiya: And when that's done, that's it. There's no more.

Titi: I would run into issues because once it runs out then my brain will be like "You need it now."

Zakiya: Now you really need that coke.

Titi: And exactly. And I'll be like "well I need a Coca-Cola." I know I'm out of my cash, but I have this card.

Zakiya: Well, then my strategy wouldn't work for you. And that's OK. That's the thing to remember everything for everybody.

Zakiya: That's a good conclusion for this episode.

Titi: Yes. Do what works for you.

Zakiya: And for some of you all in order to find out what works for you. You might have spend a little time looking in the mirror. You have to say, what is my weak spot? Is it Wingstop on friday for lemon pepper wings?

Titi: Those are delicious.

Zakiya: Is it a double impossible whopper?

Titi: Yes, it is. In all of my weakness is our food I'm finding. But guess what? 2020 we eating what we have at home. That's what I said I would do and that's what I'm going to do. So.

Zakiya: I'm going heavy veggies. I mean, you know, eat a lot of veggies. .

Titi: Yes. My friend, she loves an herb. She loves lentils and loves a green.

Zakiya: Leafy greens are the way to good. So I know that my weak spots are clothes and food. And its not even food like grocery store food like going out to eat. If you say it, 745 "cane you meet me at eight thirty for oysters?" Yes, I can. Every time, whether I had them, whether I whether it was my plan or not. Yes, I can. And so I want to think a little bit more. I want to be able to put a road bump or speed bump between me and old Ebbitt.

Titi: I always fall victim to ads on social media. They are so good. They really know me. So what I've been doing is when I see an ad, I'll say no. I'll say remove. This ad is not relevant. And so I won't see it over and over and over again, because that's another thing that gets me if I see an ad three or four times. I'm like "OK. I need it."

Zakiya: one of my strategy. That's the work for me for shopping is I will put all this stuff in my shopping cart. Oh, yes. I like this. I'm going to get it down to even. No, I need to get it down to under this amount. Right. This 300 dollars in my shopping cart, I need to get it down to 200 always 100 lower, which is already the wrong scale to be shopping on. And then the next thing I do is just leave it in the cart. I can't buy that day.

Titi: Leave it.

Zakiya: I open a new tab on top of it in at the rate that I open tab, sometimes a 30 tab. And I forget about that. And I forgot about it. I didn't need it.

Titi: Exactly

Zakiya: I didn't need it.

Titi: Yeah. Sometimes you just need a good night's sleep in between, put it in your cart and hitting "complete purchase".

Zakiya: And that saved me so many times. I logged in the other day in anthropology, you know, many candles popped up in that shopping cart

Zakiya: All right. That's it for lap 21. Don't forget to check on our Web site for a cheat sheet on today's episode. You can find it and sign up for our newsletter at DopeLabspodcast.com

Zakiya: Also, we love hearing from you. What did you think about today's lab? What are your ideas for future labs? Our number is 2 0 2 5 6 7 7 0 2 8.

Titi: You can also find us on Twitter and Instagram at @dopelabspodcast.

Zakiya: Titi is on Twitter @dr_tsho.

Titi: And you can find Zakiya @zsaidso.

Zakiya: Follow us on Spotify or wherever else. You listen to your podcast. Special thanks to our guests, Dr. Christina Agapakis. Find out more about her work in the show notes Dope Labs is produced by Jenny Radelet Mast of wave runner studios. Mixing in sound design by Hannis Brown. Special Thanks to Roy Hurst.

Titi: Original theme music is by Taka Yasuzawa and Alex Sugiura with additional music by Elijah LX harvey.

Zakiya: Dope Labs is a production of Spotify Studios and MegaOhm Media Group and is executive produced by US.

Titi: Titi Shodiya.

Zakiya: And Zakiya Whatley.