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Introduction

Thank you for the opportunity to respond to the Securities and Exchange Commission's (SEC) Request for Information on Broker-Dealer and Investment Adviser Digital Engagement Practices (DEPs).

Background on Acorns

Acorns was built with one guiding purpose: to look after the financial wellness of everyday consumers, organizing their financial lives to benefit from the power of compounding, diversification, transparency, a long-term view and increased financial literacy. We are a company guided by our mission and the best interests of our customers. Committed to looking after the financial best interest of the up-and-coming, empowering people to shape their future by investing in themselves for the long-term.

Launched in 2014, Acorns pioneered micro-investing with our first product, Round-Ups, allowing customers to automatically invest spare change into diversified investment portfolios, built with help from experts like Nobel Laureate economist, Dr. Harry Markowitz. The portfolios are selected for customers based on their answers to relevant questions that match them with the right portfolio to meet their needs and long-term goals. Through our innovations and unwavering commitment to introduce new products that serve the customer's best interest, we have helped more than ten million Americans save and invest nearly 10 billion dollars.

We put the tools of responsible wealth-making in everyone's hands, and we are building a financial wellness system to help individuals and families responsibly manage and grow their money over the long-term. The system helps customers' improve their financial wellness through a series of products that work seamlessly together.

Our product bundles include:

Acorns Personal - All-in-one investment, retirement, and checking, plus ways to earn more money, and grow your knowledge. Save and invest every day for just \$3 per month.

Acorns Family - All-in-one investment, retirement, and checking, plus ways to earn more money, grow your knowledge, and invest for the kids you love. Save and invest for the family, for just \$5 per month.

Within those bundles we offer:

Invest - Easy, automated investment account built by experts and diversified to help you long term. Invest spare change automatically through Round-Ups, set automatic Recurring Investments, and invest in you anytime, as little as \$5.

Later - Easy way to save for retirement. Open an Acorns Later IRA in minutes, we'll recommend the right plan for you, and you can save for Later with potential tax advantages today.

Checking - Invest while you spend with real-time Round-Ups. Save money from no hidden fees and over 55,000 fee-free ATMs. Get Smart Deposit, exclusive to Acorns Checking, and automatically invest a piece of every paycheck.

Early - Invest for your kids now, because time moves fast. Early is a UTMA/UGMA account, so you can use the funds for anything that benefits the child, see potential tax advantages, and easily transfer the funds to them when they're grown. Set easy, automatic Recurring Investments starting at just \$5, and invite friends and family to give them Early Gifts!

Earn - Earn more money from 400+ brands that invest in you, thousands more on the web, and find millions of jobs in our Job Finder. The more you earn, the more you can save and invest.

Serving the Everyday American

Acorns is focused on serving the 222 million Americans who make less than \$100,000 a year in household income¹. Today these Americans face meaningful obstacles to financial freedom¹:

- 99% of Americans do not get professional financial advice
- 45% of Americans do not invest in the stock market
- 61% of Americans do not have \$1,000 in emergency savings
- 62% of Americans live paycheck to paycheck
- 56% of Americans fail a basic financial literacy test
- 53% of American parents have no savings or investments for their kids
- 73% of Americans die with debt

Acorns' subscribers have a median household income of \$50,000 to \$75,000. Their average age is 34 and they are geographically diverse across the U.S. Over 60% of our customers are first-time investors. 30% of our customers are non-white.

Our product is designed to help address many of these challenges. The use of DEPs is one of the many tools we use to deliver on our mission to look after the financial best interests of everyday Americans.

¹ Source: US Census, Market research(1) Number of people 18 years old and over with no income or less than \$100k in income. (US Census 2019).

Acorns' Use of Digital Engagement Practices

In order to help as many Everyday Americans achieve their financial goals and to help overcome many of today's financial challenges, Acorns deploys a series of DEPs to drive positive savings and investing behavior. These practices are designed to reinforce and celebrate responsible behavior, including the principles of long-term, diversified investing espoused by the academic underpinnings of Modern Portfolio Theory. Dr. Harry Markowitz, Nobel Laureate and the architect of this discipline, designed the original Acorns subscriber investment portfolios and is still an advisor to the firm.

In addition to the principles of regular, diversified investing we also work with the academic discipline of Behavioral Economics. We collaborate with Dr. Richard Thaler, Nobel Laureate, and Dr. Shlomo Benartzi to experiment in our product with DEPs to optimize the best outcomes for our subscribers.

This engagement is at the core of Acorns' mission of helping improve the financial wellness of its customers. At Acorns, we believe our purpose is to look after the financial best interest of its customers, organizing their financial lives to benefit from the power of compounding, diversification, education, transparency and a long-term view, no matter their financial situation.

The Intent

The engagement itself, digital or otherwise, should be viewed through the lens of intent: why is a company employing DEPs and to what end?

At Acorns, we have spent significant time trying to understand how to leverage the behavioral economic insights to help our customers improve their long term financial wellness. The idea of the round up is rooted in the behavioral economic insight that people often do not act in their own economic interests and "protect the person from themselves." In order to successfully help young people save and invest, Acorns created a system where saving and investing are automatic, in the background of life, and associated with an everyday behavior - spending.

We believe in investing the right way and responsibly for the long term. The majority of people don't need access to sophisticated and technical trading tools, like margin and options, they need an easy way to automate growth and look after their family. The rise of day trading, widespread access to exotic financial tools, and meme-stocks drew a lot of new investors into the market last year. But as history has proven time and again, a diversified investment strategy and the power of compounding are the most reliable ways to build wealth.

Acorns believes in investing, harnessing the power of diversification and compounding to help our customers achieve their long-term goals and "grow their oak." Getting caught up in "get rich quick" schemes and short term market fluctuations goes against Acorns' philosophy of building wealth over time. While other market participants may attempt to increase customer

engagement through DEPs contrary to what is best for their own customers (e.g. encouraging trading without any educational support or explanation of the risk associated with a trading vs investing approach), at Acorns, we use DEPs to improve the financial well being of our customer base and to educate them about how they can take steps to improve their own financial situation.

A primary use of DEPs at Acorns surrounds education and financial literacy. Through our Money Basics program and Grow Magazine, we engage with customers to help teach the tools they need to invest in their future. Because more than half of Acorns customers are first time investors, we believe it is our duty to help improve the financial well-being of our customers by increasing their financial literacy. DEPs are a critical component to creating educational content that creates an impact on our customers.

Another example is Acorns' milestone program. The program encourages customers to save for their retirement by incentivizing users to set up recurring investments, round-up their spare change and reach balance milestones. For 2021, Acorns created a complementary sweepstakes to help incentivize our customer to achieve these milestones. For each milestone the customer reaches, they receive entries into the sweepstake for a chance to win \$1 million for their investment account. Here, Acorns deploys DEPs to encourage customers to take steps to improve their financial situation.

The results of this program has led to a statistically significant increase in the amount saved and invested per month as well as the number of customer logins. In our opinion, this showcases how DEPs can be utilized to drive responsible behavior and create good outcomes. People invest more for the long term. People login more and engage in our education more frequently. They are inspired to learn and do better for themselves. This is the opposite of customer harm.

The Business Model

Another component to evaluate DEPs is its relationship with that firm's business model. Acorns is a subscription business and does not monetize on asset balances or any transactional trading activity. We also do not monetize through data sharing strategies with third parties exemplified by the payment for order flow phenomenon in our industry. We have chosen to remain transparent with our subscribers and we do not monetize directly or indirectly via DEPs. With respect to our fiduciary duty, we believe this presents too much of a conflict of interest with the customer.

As the Commission reviews these practices throughout the market, we urge you to examine *why* DEPs are used and to what end. DEPs and "gamification" can be helpful tools to incentivize good behavior (i.e. saving for retirement, paying down debt or increasing financial

literacy). But if those DEPs are deployed deceptively to increase revenue for market participants at the expense of customers' well-being, those practices should be examined.

SEC Attention to DEPs

The SEC has the necessary authority and rules in place that makes any rulemaking in this space unnecessary. But as the SEC examines market participants' use of DEPs, and as we note above, the Commission should consider the intent behind that engagement more than the mechanism for the engagement itself. Is the market participant deploying DEPs with the best interest of the customer in mind? We do not believe the Commission should be prescriptive in potential rulemaking around the tactical delivery mechanism and/or form factor (e.g. confetti and mobile phones respectively) as these rules do not keep reasonable pace with new user experiences and functional access devices to investment accounts over the medium to long term and the consumer protection intended will be nullified. The Commission already has an established framework in place that fully covers intent, but a potential framework to examine the intent behind digital engagement could be helpful.

Proposed Framework

Acorns recommends a simple framework to the SEC to guide other market participants on how to evaluate their own DEPs and to protect the consumer. Using two dimensions, the intent of the DEP with respect to a Fiduciary view and the potential monetization of the specific DEP. The following framework simply highlights the allowable permutations.

Satisfy the Fiduciary Responsibility	Discretely Monetizable on the DEG transaction	Allowed
Y	N	Y
Y	Y	Y
N	N	Y
N	Y	N

The only disallowed permutation is when the intent is not as a fiduciary and the monetization is tied to that non-fiduciary DEP. It is our strong belief that without this consumer protection, the risk of harm is too great, and the constraint on a well functioning market is de minimis.

Conclusion

Acorns' mission is to improve the financial wellness of our customers. This aligns with the Commission's mandate to protect investors. As the SEC examines the use of DEPs, we urge the Commission to look at the intent behind any digital engagement and to be mindful of not prohibiting interactions that are in the best interest of the investors that we are both trying to help. Thank you again for the opportunity to submit this comment letter.