

URL: <https://ecorner-prod.tcg.stanford.edu/in-brief/putting-passive-savings-to-use/>

Fintech entrepreneur Catherine Berman describes how she began to see money as a proxy for energy and power to affect change while working as a venture capitalist. Watching the VC community amass capital to shape the future through startup investing, Berman says that gave her the idea to design financial-investment products that could turn money passively sitting in people's bank accounts into a force for social impact.



Transcript

- I ended up going into venture capital.. Not for the same reasons I think you probably have heard others speak about, because to me the reason I wanted to go into venture had nothing to do with Sand Hill Road or any kind of a romanticism.. Because at the time, being a woman in venture, and yes, we know this hasn't changed much, it was not very glamorous, right? It was actually tough, but the reason I chose to go to the venture side of the equation, the capital side of the equation, is I started to get fascinated by money as a flow of energy, money as a source of power, what we do with capital, how capital moves throughout our country and throughout our world, started to fascinate me.. And then seeing it captured by this industry called venture capital, and how they were using it as an instrument for change fascinated me.. And so the tape that was playing in the back of my head was if this is tremendous energy, tremendous power, could this not be a source for change? Could this not be an instrument for positive social change? And so I spent about four years on the venture side.. I led deal flow for a global firm.. I started their angel fund, excellent experience.. I got to work with a lot of both typical entrepreneurs, social entrepreneurs, you name it, and then got a very interesting opportunity to run a division of Charles Schwab.. So I got to work with a strategy group at Schwab based on data and their idea, this was a new group, the premise was we've got tons of data as a financial services firm..

We're trying to understand what the future of finance is gonna look like, specifically when we think about this large wealth transfer that's about to happen led by women and millennials.. What is that gonna look like for major financial services? I had just spent years looking at FinTech companies and other companies.. The firm I looked at was very focused on women's empowerment, and so I was a pretty likely candidate for that group.. And I thought it was a really interesting challenge.. Okay.. Let's see how money flows, how this energy goes in a big financial services firm.. And there, probably not shocking to most of you, I found some pretty interesting findings.. One was Not much was gonna change any time soon.. I have incredible respect for my colleagues at Schwab..

It's to date one of the best large companies I've ever worked for.. The issue being, most of these large firms are stuck in legacy systems, in old business models, in focuses that aren't gonna change because of the governance body.. And so despite me presenting all the data in the world on what this wealth transfer could look like, and the products and services we could be thinking about and bringing to fruition, nothing was gonna change any time soon.. And so I sat with that reality for a bit as I worked there, and one night I was sitting on my couch, looking at my own financials, online banking, and I discovered that I had Cash just sitting there, several thousands of dollars, not emergency fund, just stupid cash, sitting in my bank account and here, I'm supposed to be this finance person, right? Managing director at Charles Schwab, running this group focused on the future of finance, and yet I'm being silly with my money.. And so I kind of took a pause back and thought to myself, "I wonder why I do this, and I wonder if I'm alone in doing this." And so there I started on this journey looking at were others doing the same thing that I was doing, which I call forgotten dollars.. Were people just leaving money on the sidelines, not putting it in the market, not putting it into other investment vehicles, literally keeping it in our checking and savings accounts? And what I will share with you may be shocking for some of you.. Americans sit on over \$300 billion of these forgotten dollars.. That's billion with a B.. So I wasn't alone in this behavioral pattern, and the light that happened in my head was billions of dollars collecting dust in our checking and savings, doing no good for us, but also no good for our communities..

If we could unpack, unleash even a portion of that \$300 billion, I want you to think about what kind of good we could do in this country: The schools we could fund, the community centers we could fund, the minority led businesses we could fund, all of the things we all talk about collectively of things we feel passionate about, or feel that there is injustice when it comes to capital, what if we could unpack some of those dollars for some of those things? And that began my journey of CNote.. So seeing cash and seeing finance as an instrument for change, I shared this wacky idea of building a new suite of investment products that came with very, very different intention.. Intention to give back competitive return to those of us who work so hard for those dollars, and to make sure that when you go to sleep at night, those dollars are going to work in a way that you feel proud of, and building the type of tomorrow that you want to see...