

## House Financial Services Committee: “Combatting Tech Bro Culture: Understanding Obstacles to Investments in Diverse-Owned FinTechs”

Madam Chairwoman, Ranking Members, and Members of the Committee, thank you for the invitation to testify today on “Combatting Tech Bro Culture in Fintech.”

I am Sallie Krawcheck. I am the CEO and co-founder of [Ellevest](#). I have been the chief financial officer of Citi and the CEO of Merrill Lynch Wealth Management, of Smith Barney, and of Sanford Bernstein.

Ellevest is an investing and financial planning platform built for women. Our mission is to “get more money in the hands of women.”

[Our company is diverse](#): In an industry in which the leadership teams are 23% women, ours is 84% women. And while industry leadership teams are 11% people of color, we are 50%, with a board that is likewise 80% women and 50% people of color.

We proudly count among our investors [Rethink Impact](#), which is a woman-led fund that invests in women leaders solving the world’s largest problems, and Melinda French Gates’ [Pivotal Ventures](#), which invests with the goal of advancing social progress and building a more equitable country. We’re also backed by Penny Pritzker’s [PSP Capital](#), Jessie Draper’s [Halogen Ventures](#), and [Sarah Kunst’s Cleo Capital](#), as well as women-run investing groups like [Astia Angels](#) and [Broadway Angels](#).

Ellevest has [just completed](#) a \$53M Series B capital raise, making us one of just a handful of fintech companies run by women-CEOs to raise a total of \$100M+. We count this a particular victory, since women CEOs raise just a single-digit percentage of venture funding overall — just [1.8%](#) of the total in 2022 to-date — and women have raised just [1% of fintech dollars](#) over the last 10 years. That puts our chances of getting from initial idea to today at “pretty close to miniscule.” And there were times that our raise process felt like that.

Where do things stand today for women raising fintech venture funding?

Well, there are a few things to note, representing good news and not-so-good news on this front:

The good news is that there has been an [influx of capital](#) from women investors to invest in early-stage venture capital, some amount of which is specifically for funding women and under-represented founders.

The tough news for us fintech founders is that the venture investments that women investors make — and that women CEOs raise — tends to be in more traditional women-focused consumer businesses. As in, not fintech.

And the even tougher news is that this has not translated into later-stage funding, where it's rough going for women — and particularly women in fintech — when it comes to raising Series B and later rounds.

(I'd like to emphasize that these later-stage numbers matter, because fintech can be capital intensive, more so than other businesses. In our case, we're investing people's money, so the low-capital-intensity, build-the-plane-while-you're-flying-it start-up approach doesn't work as well as it often does for other industries. You need to build your infrastructure, a product that works, a compliance system, information security systems...and we found, if you're engaging with women, we had to be building a brand and a community...all before your launch)

In my experience, there are fewer women writing the larger-sized checks. As of just a couple of years ago, the [majority](#) of venture capital firms lacked even a single woman partner.

And, adding insult to injury, raising early-stage capital from women funders can be a double-edged sword, because new research shows that women CEOs' [ability to get next-round funding](#) is lower when they were funded by women in their prior round; this is true whether they are looking to raise from men or women investors this time around. This appears to be the result of simple bias and the implicit assumption that raising money from women meant that you weren't "good enough" to get funding from the more established players (read: men).

I would note that all of these statistics are true despite the research that women-run businesses provide [as-good or better results](#) than men-run founding teams, on less capital.

The implications of this?

They go well beyond the frustrations of founders who can't get funded, particularly because of the role that financial services, and fintech, plays as the lifeblood of our economy.

So, first I would ask if you think it is a coincidence that, in the investing industry, [98%](#) of mutual fund assets are managed by men, [86%](#) of financial advisors are men, [75%](#) of senior leaders are men...and that women say they don't see themselves reflected by the industry, that they don't feel seen by the industry, that they rank it among the lowest of any industry they engage with? That, when I was running Merrill Lynch, the vast majority of women withdrew their money from the company in the year after their spouse's death?

I would ask if it's a coincidence that, with 99% of fintech venture funding going to male founders, Ellevest is the only wealthtech app for which the majority of app downloads have been by women, running at more than 90%, versus [percentages in the 20s and 30s](#) for others?

And while some of you may be thinking, "Well, the real reason for all of this is because women aren't as good at math as men," I can tell you [that's not true](#). Or that "women aren't as good at investing as men;" that's [absolutely not true](#). Or that "women are risk-averse when it comes to

investing”; we see no evidence of that at Ellevest — it’s simply the thing the industry tells itself to try to explain why they have so few women clients.

Instead I would argue that all those financial services and fintech companies have not centered their offerings on women’s needs. And that, in itself, is a direct result of women not getting funding.

And so women, as individuals, [invest less of their wealth](#) than men do, giving up returns that the markets have provided over time. This is one big reason for the gender wealth gap, which sits at [32 cents to a white man’s dollar](#) (and 1 penny for Black women).

Think, too, of the businesses not founded, and so the needs that are not met; the investments that have not been made that would have built a more secure future for women and their families; the economic growth we could have seen had that wealth been created.

Think of the toxic relationships so many women are stuck in, the dead-end jobs they can’t leave, the small businesses they can’t start...because they simply don’t have the money to.

Is this something that any of us want for our daughters?

And because I know I must add this in order to get some people’s attention — in addition to women, who else is this bad for? Men. Men whose businesses won’t prosper because of the sales to women that weren’t made. And who still tend to carry the burden of being responsible for the money in their family, which leads to real stress.

What is the answer?

It’s not for women entrepreneurs to try harder; we’re already trying harder. Because even for those who are successful in raising funds, the price we pay is steep: If women raise, say, [2% of venture dollars](#), that means 50x as many meetings as men have, 50x as many earnings models sent out, 50x as many questions answered, 50x as many demoralizing no’s, 50x as much time away from the business (when the odds are already stacked against a start-up’s success).

When I was raising for Ellevest, I knew we faced an uphill battle. So my first thought was to go to sources of capital (like pensions and endowments) who had been vocal in their desire to invest in women and to get more women into financial services. I got some introductions to their venture capital firms, which led to some polite meetings, but they all died with the venture firms’ investment committees. (Cue: “Hey, I tried. Gotta let our managers manage, though. Can’t meddle.”)

Ultimately, for us, a big part of the solution was to double- and triple-down on our bet on women, raising our round from accredited women investors who came together to invest in Ellevest in groups through special purpose vehicles. These were often sponsored by existing women investors in Ellevest. It gave them the opportunity to access a deal at a later stage than they

otherwise could have, and it helped us further live our mission. The result is that more than 70% of our new investors in this round were underrepresented investors.

And we live to fight another day.