Portfolio

Wealth | Fintech | Web3

Matthew Jackson, CFA

Ghostwriter, Copywriter, Researcher

Hourly rate: $250/hr

Matthew combines a background in consulting and finance with an education in the classics and a passion for cliche-free content. He began his career in M&A, strategy and technology consulting, before specializing in pricing and value communication for banks and wealth management firms.

He now works full-time with disruptive thinkers who have brilliant ideas and no time to write about them. He is particularly open to working on high-pressure, high-yield, and high-complexity cases. While a believer in the fundamentals that underpin finance, he is also intrigued by the potential of blockchain technology as a future basis for agreements and value exchange in a multi-polar world and community-based economy.

He has held the CFA charter since 2015. Outside of his professional pursuits, he is also currently learning how to safely handle venomous snakes in rural South Korea.

Featured in

Wall Street Journal | Financial Times | Forbes | American Banker | Investment News | Bankless DAO | dWeb Guide | Financial Planning | Journal of Digital Banking | Advisor Perspectives | Kitces.com | FinMasters | NAPFA

- Thought Leadership Ghostwriting (Blog Posts, Articles, Reports, White Papers)
- Survey Design & Analysis
- Content Plan Generation
- Book & E-book Ghostwriting
- Pitch Deck preparation
- Case study preparation
- Speechwriting
- Web Copy and Landing Pages
- Explainer Videos and Video Scripts

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Portfolio

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Client Testimonials

"He was constantly helping us identify the issues, rather than counting on us to provide a clear brief. I highly recommend working with Matthew!"

Founder
Technology Startup

"His meticulous research ensures that every piece he produces is not only factual, but also credible. Working with Matthew has been an absolute pleasure thanks to his unwavering professionalism and commitment to excellence."

SEO & Content Manager
Wealth Manager

Client Testimonials

“The depth of both his understanding of the fundamentals of the space and his ability to intelligently research was very clear…and without the need for significant revisions from his first draft!”

Head of Strategy
Project Finance

“Unlike many of our writers, we don’t need to spend any time editing his work. He also gets the work in quickly and offers a high level of insight instead of just regurgitating news. ”

Editor
Trade Journal

Wealth Management

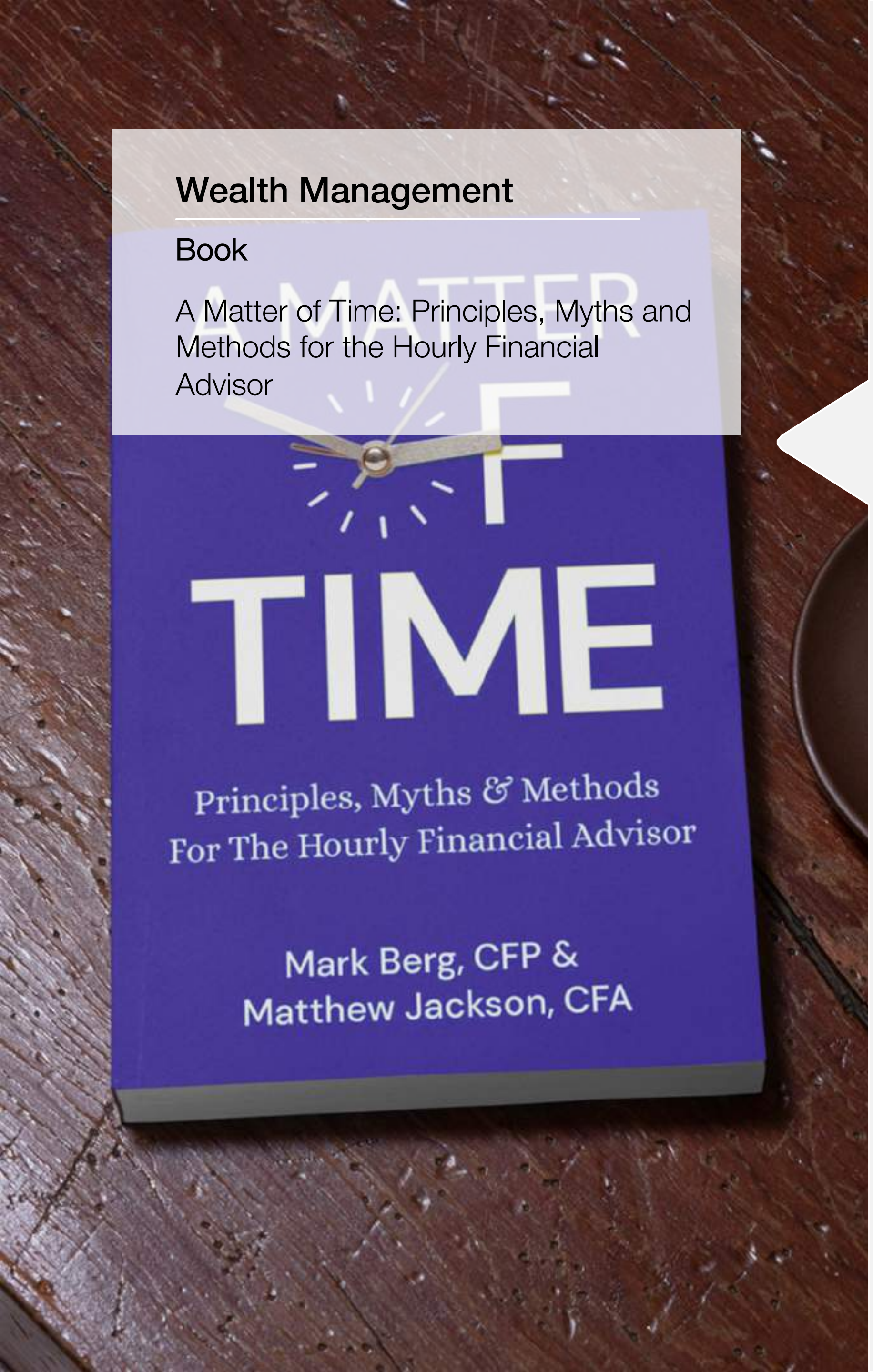
Fintech

Web3

Wealth Management

Book

A Matter of Time: Principles, Myths and Methods for the Hourly Financial Advisor



Introduction

Running a business in an hourly fashion is only possible for a true expert who can demonstrate value for every dollar. This is why established professions such as law, accounting, and medicine are able to charge explicitly for expertise. In this book, we set out a case for the hourly model as a viable and attractive option for the professional financial planner of the future.

For the advisor who adopts it, the hourly model offers two unique benefits:

- It is possible to charge for value and demonstrate the value-fee relationship.
- It provides a clear set of internal levers for running the business efficiently.

Today most firms have adopted an assets under management (AUM), retainer, or commission compensation structure, and very few planning firms follow an hourly model. To many observers, it is a baffling choice and will likely remain so.

The book is aimed chiefly at the next generation of planners and founders who are interested in alternative approaches to the two critical issues: value-based pricing and business management. And have a taste for adventure.

We admit that the hourly model is difficult to implement successfully if you do not know how. In particular, it is dangerous to follow rules that apply in traditional financial advice firms, but seldom transfer to an hourly context.

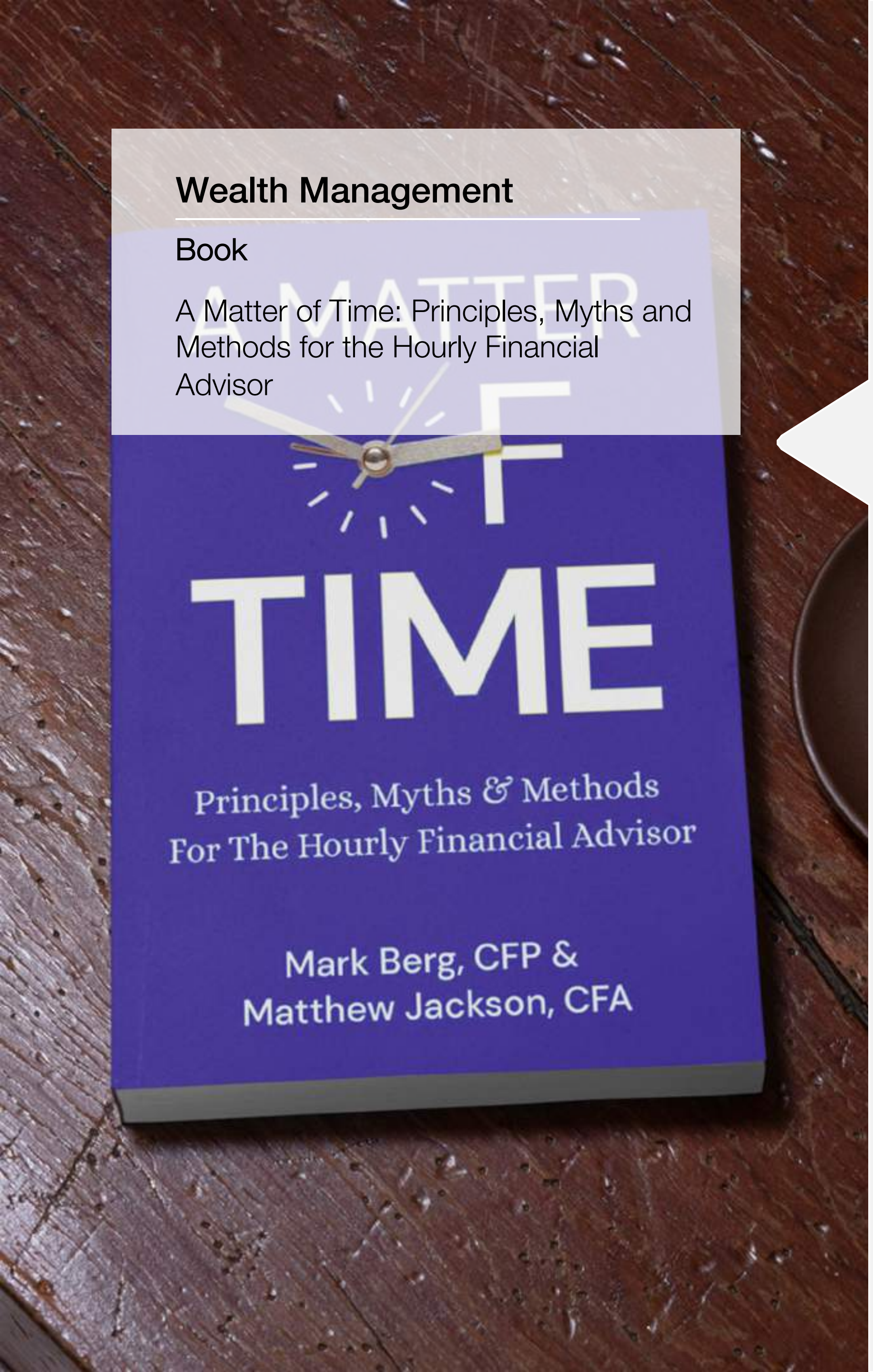
The insights contained in this book are based on real-life experiences, acquired over two decades building and running an hourly planning firm (Timothy Financial Counsel), and having to overcome many of the challenges hourly practitioners are likely to encounter.

We hope the book will serve as a starting point for those who are inspired by the challenge of building a future-ready firm. If this is the path you have chosen, welcome and good luck.

Wealth Management

Book

A Matter of Time: Principles, Myths and Methods for the Hourly Financial Advisor



Part 1: Foundations

Chapter 1: Myths vs Reality

Myths about the hourly model are many and varied. Why begin the book with them? Because many of the problems that hourly firms face can be traced back to a myth about the hourly model, which the firm's founder has at some point internalized.

This could be the result of a conversation with another planner (everyone has an opinion about the hourly model) or through a self-generated assumption that has never been challenged.

Deprogramming yourself of these myths is the first and potentially most important step on the path to success. If you are new to the hourly model, or considering it as an option, knowing these issues is also an excellent place to start. As we will see later on in chapter 3, there are enough genuine challenges with the hourly model to occupy the mind of a firm owner, without the need for mythical ones.

Myth 1: Hourly fees are only for the middle market.

It is acknowledged that the hourly model makes it possible to give high-quality financial advice to the middle market, or consumers who fall outside the scope of the retiree-oriented, asset-focused advisory firm. However, the benefit is a by-product of the model rather than its raison d'être. Hourly advisors are free to serve anyone and everyone.

Although Mark's colleagues serve clients who range from recent college graduates to high net worth individuals ($1m+), Mark's own clients are typically ultra-high net worth ($20m+). As the needs of such individuals are often highly complex, yearly fees for a single client can run into the tens and even hundreds of thousands.

Hourly advisors, in other words, should not confine themselves to targeting clients who are "less well off," or see their role as serving the clients that other advisors don't want.

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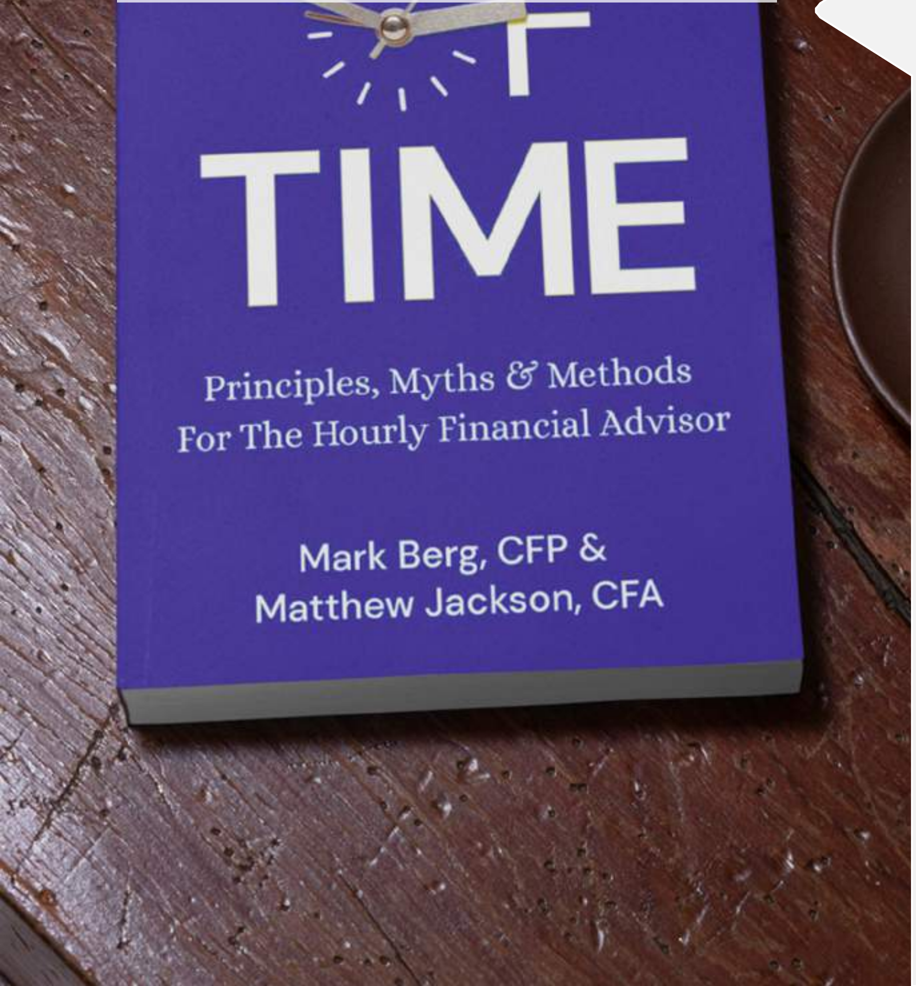
Book

A Matter of Time: Principles, Myths and Methods for the Hourly Financial Advisor



In fact, focusing on less complex clients exclusively may, in the long run, result in limiting or eliminating the profitability of the firm. The desire to serve the underserved is a worthy goal and can be achieved within the scope of a firm that serves multiple client types at differentiated rates (see chapters 4 and 5 for more details).

The versatility of hourly is one of its greatest strengths, and it should be used to full effect.

Myth 2: Hourly fees discourage existing clients from asking for advice.

The idea here is that charging clients whenever they request advice will make them less likely to do so. Yet people engage in activities every day that they know will incur financial cost. For example, no one questions the fairness of an airline charging for a flight, or a hotel charging for a room. People often look forward to events—such as holidays or weddings—that involve significant financial outlay.

If they don't perceive the value of the exchange (as in the case of parking tickets, late fee payments), this is a different story. But in general, if a service has value, people are willing to exchange money for it.

Clients who see the value of advice will be no more reluctant to pick up the phone than they would be booking an appointment with a personal trainer, hair stylist, or accountant.

Hourly does mean that clients are less likely to call simply to pass the time of day, or to ask trivial questions that do not require the advisor's expertise. This arrangement makes the most of your time and your client's money.

You can download or order the full text of 'A Matter of Time' here.

Introduction

This report is about an evolutionary transition. We believe that this transition is inevitable, and that it will result in a few highly-successful advisory firms in the medium term who will redefine the landscape in the long term.

The paradigm shift required for this transition is not a new idea. In 1931, the geneticist Sewall-Wright proposed 'shifting balance theory' to explain how giant leaps occur in the development of life on earth.

The theory frames the process as a journey between two peaks on the evolutionary landscape. Peak 1 represents an established paradigm. Progress occurs by random mutation, and is steady but eventually reaches a limit.

On Peak 2 the old rules and limitations no longer apply. It is possible to outcompete Peak 1 peers, and survive when a rare extinction event occurs wipes out other maladapted species.

The catch: it is not possible to ‘drift’ via random mutation from Peak 1 to Peak 2. You must make a conscious decision to leave behind safety and familiarity, and endure a potentially long journey through the ‘Adaptive Valley’. Not only is the valley an uncomfortable place to be, but while you are in it, you may be temporarily at a disadvantage relative to your peers.

Today, technology is taking over from biology. Instead of natural selection in the realm of genes, we have innovation in the world of business.

Peak 1 innovators take a successful idea and refine it. As firm leaders, they improve margins and expand to new regions. As product managers, they identify new features and iron out bugs. Peak 2 innovators, on the other hand, do not seek to reform or improve existing businesses, but replace them with new ones, built from 1st principles.

Note 'replace' not 'improve'. Netflix did not win by finding a more efficient way of distributing physical DVDs. It created a new evolutionary peak - streaming - and the legacy competition went extinct.

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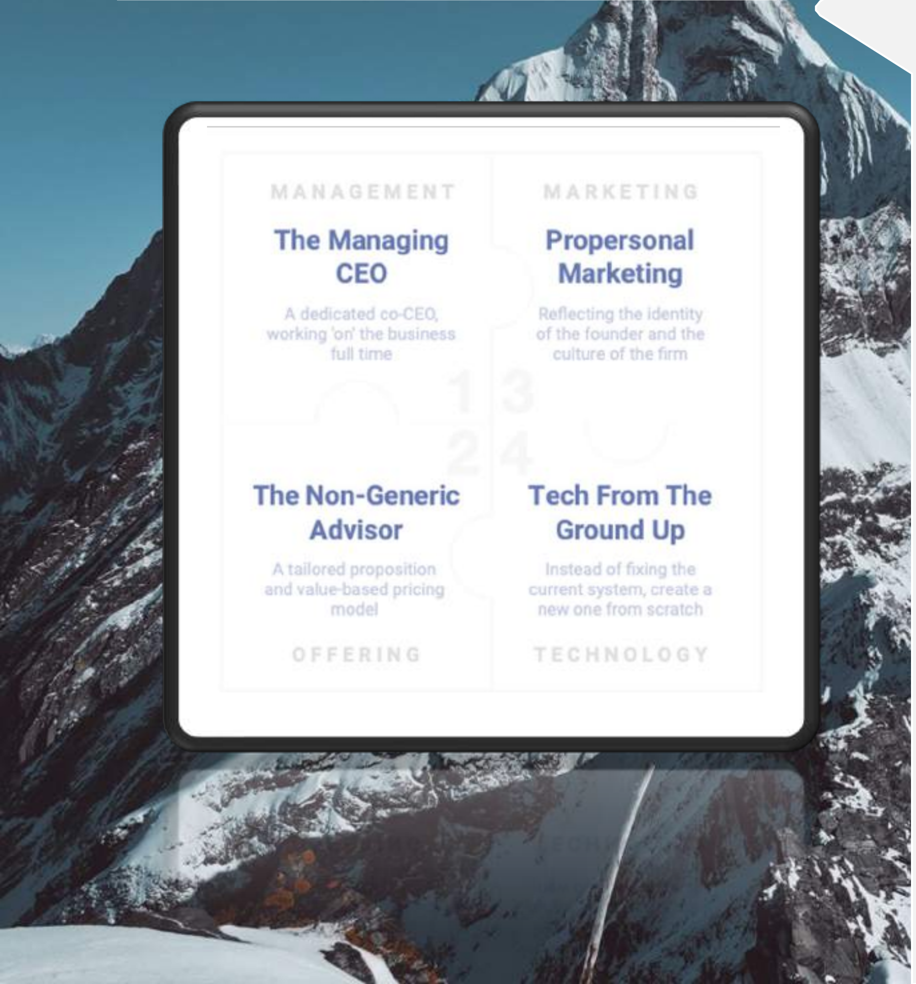
Whitepaper

New Frontiers in Wealth Management: How advice firms can ensure long-term survival in a changing world



Examples of Peak 2 innovation are becoming more common as technological change accelerates.

The Adaptive Valley, however, remains an unavoidable part of the journey.

To take one example, Elon Musk's company SpaceX has succeeded in moving space travel to a new evolutionary peak by creating a re-usable orbital class rocket.

In the early stages, the team had to endure multiple failures, as prototype after prototype exploded in the sky before a waiting press corps. Success was not a foregone conclusion.

The financial advice world has traditionally moved more slowly than other industries. To many, it appears insulated from a lot of the changes in the outside world.

This accumulation of dry tinder is, we believe, suggestive of a coming inferno. If so, a Peak 2 mentality may be decisive in determining whether a firm survives beyond the current day owners.

This report is an attempt to set out not only what the Peak 2 firm might look like, but also aspects of the adaptive valley such firms will have to pass through.

While synthesizing the findings, we found that the four areas of practice management we investigated refused to 'stay in their lane', and endlessly blended into one another.

This suggests that the firm of the future will be integrated in a way that is not common among the Peak 1 firms of today.

Good luck on the journey, and see you at the top!

You can download the full ‘New Frontiers’ whitepaper here.

Wealth Management

Survey Design, Analysis & Synthesis

Are Financial Advisors Worth It?

Overview

We surveyed over 600 Americans to learn about their perceptions of financial advice and its worth. What we found is that when it comes to financial advice, consumers aren't clear on what is going on, what they are receiving, and what its value is.

Are financial advisors worth it? Many consumers aren't sure, often because they aren't sure what financial advisors do. Financial advice is a fragmented industry, only halfway to being an established profession.

Consumers have traditionally associated financial advice with high-end investment advisors and financial planners that serve affluent clients. Most users don't recognize that credit counselors, housing counselors, financial therapists, and other professionals who work with financially stressed clients are also financial advisors.

The definition and role of financial advisors are changing and evolving. We conducted this survey to understand if consumer attitudes toward financial advisors are also changing, and what this means for the future of financial advice.

Key Findings

- Most clients (75%) recognize that the potential of financial advice goes beyond delivering investment returns and into the realm of goals fulfillment.
- Most respondents (78%) believe that only some advisors are worth the fees they charge. This implies that pricing pressure is not too far away for others!
- 57% of respondents believe they have a financial advisor (although the term covers many different types of advice). Of the remainder, many appear to lack sufficient assets to qualify for advice under the prevailing asset-based fee model.
- While only 5% of respondents reported that their experience of financial advice had been 'Negative'

(which is encouraging) and nearly half (48%) selected ‘Positive’, a surprisingly large group (42%) opted for ‘Neutral’ (which is less encouraging).

- Only 11% of definitions indicated an explicitly skeptical or jaded attitude to the value of financial advice. The remainder emphasizes the role of the financial advisor as a ‘navigator’ in an increasingly complex world.
- Consumers aren’t clear about what financial advice is, because financial advice is a fragmented industry, only halfway to being an established profession.

Introduction

Financial advisors are not like other professionals. With a lawyer, accountant, or a doctor, you have a sense that they have been through a common set of hurdles (medical school, the bar exam) and you can trust them to maintain certain standards.

A lawyer, for example, can be expected not to break client privilege, just as the doctor can be trusted not to prescribe inappropriate medication. If they do either of these things, they run the risk of being disbarred or struck from the register, after which they will no longer hold professional status.

A profession is different from an industry. In an industry, the aim of the provider is to sell you as much of a given product or service as possible. A double-glazing salesman doesn’t have a fiduciary duty to ensure you get the best double glazing at the lowest price – that’s your job as a consumer. As the lawyers might put it, the principle of ‘caveat emptor’ (buyer beware) applies.

Financial advice is – currently – somewhere in between profession and industry. Advisors don’t have the same professional standing that a doctor or surgeon might have, but at the same time, they enjoy more prestige than the car salesman or estate agent.

A big part of the problem is that people don’t have a clear view of what financial advice is. And this is no wonder, for three reasons:

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Survey Design, Analysis & Synthesis

Are Financial Advisors Worth It?

1. The financial advisor community is highly fragmented. Since there is no single route to professional status, anyone can claim the role of ‘wealth advisor’, even if they have no qualifications at all.

2. Consequently, the community contains the whole gamut – from actual salesmen pushing financial products to genuine experts who integrate knowledge from multiple domains to solve complex financial problems.

3. The financial advisor community is highly fragmented. Since there is no single route to professional status, anyone can claim the role of ‘wealth advisor’, even if they have no qualifications at all.

Consequently, the community contains the whole gamut – from actual salesmen pushing financial products to genuine experts who integrate knowledge from multiple domains to solve complex financial problems.

The fragmented and undefined market for financial advice is a big problem for consumers and genuine financial advisors. The lack of clarity around financial advice allows a lot of genuinely bad actors to continue to operate under its cover, typically at the expense of unwitting clients who lose money on dubious financial products, and honest advisors whose reputation suffers from the taint of association.

This may be changing. One of the benefits of the internet age is the transparency it has brought to many industries that previously depended on or traded upon secrecy.

The financial crisis of 2008 opened many eyes to the borderline (and actual) fraud that is routinely perpetrated by the institutions who are charged with our financial wellbeing. A better informed and more demanding consumer could be just what the financial advice industry/profession needs to encourage it to raise its game.

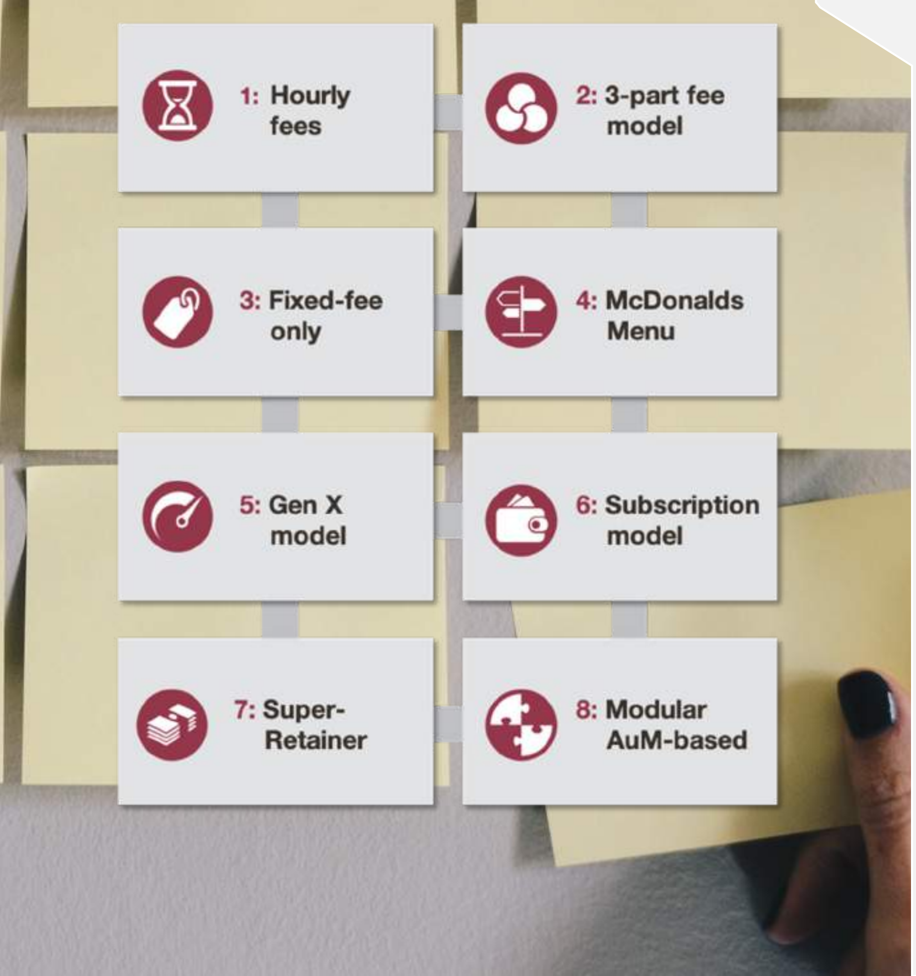
Read the full report here.

View the survey results here.

Wealth Management

Report

The Future of Fees: Eight New Models



Like it or not, wealth management is in a constant state of change.

This is currently driven largely by regulation, which requires advisors (who have not yet done so) to move from ‘Suitability’ to ‘Fiduciary’ standards, and technology, which is driving them to expand beyond investment management towards holistic planning.

As these trends disrupt the wealth management proposition, the saturation of the asset-rich retiree-segment is also leading advisors to target clients beyond the traditional client groups, to encompass Gen X and Gen Y.

Given all this change, new fee structures are only to be expected.

The topic itself is not particularly new. For years, industry commentators have been eloquently setting out pros and cons of the various alternatives. But are people actually doing much about it?

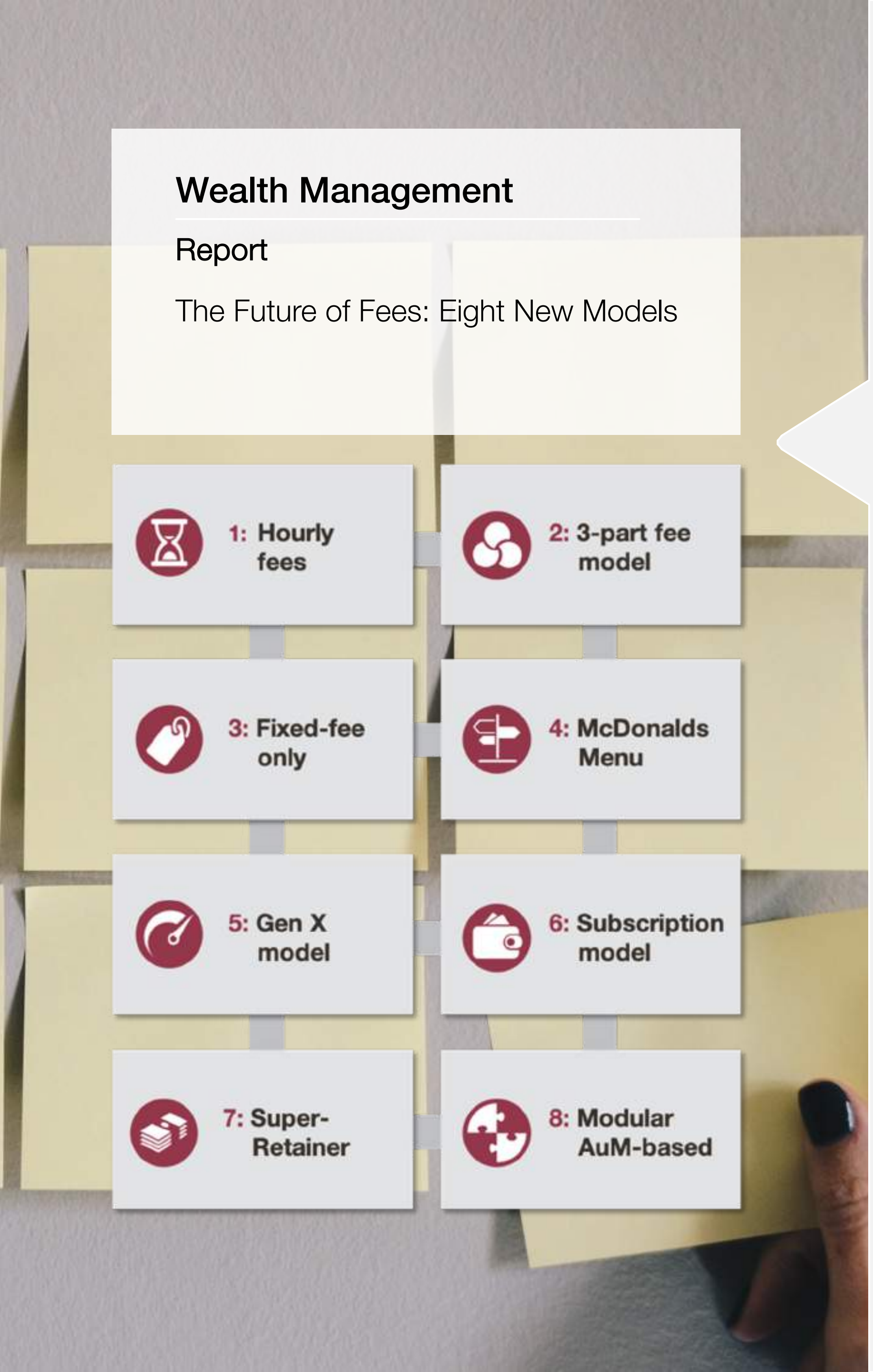
While many firms ostensibly offer a multiplicity of fee models (such as up-front fees, hourly, or project-based), in practice it is likely that the majority of wealth management clients are effectively paying a single AuM-based fee.

There are multiple reasons to expect this to change rapidly in the near future.

First: an AuM-based fee does not effectively reflect the value delivered. Two clients with differing asset levels can pay vastly different fees for effectively the same service.

Second: The model also relies (tacitly) on a minority of high-AuM clients financing the majority of the book, which often includes an unprofitable ‘long-tail’. Currently there is no strong commercial rationale for high-AuM clients to continue to do this.

Third: The ‘long-tail’ referenced above includes individuals who lack assets because they are young, or middle-aged clients who do not have liquid funds. These are the high-AuM clients of tomorrow, but for today the AuM% fee makes it hard to serve these clients profitably (or at all). So they are very often turned from the door.



Fourth: most concerning of all, the standard 100 bps fee seems increasingly under pressure from low-cost alternatives, and advisors are offering higher discounts or so-called ‘stealth discounts’ (i.e. more work for the same fee) in response. We’ve done the numbers, and if this trend continues, it ain’t pretty.

Add all this up, and you are led to a stark conclusion: there has probably never been a worse time than now to be unclear about your value proposition and how much it is worth.

Why not just ‘wait and see’?

At a recent conference, Carolyn McClanahan (whose fee model is featured in this report) half-playfully, half-seriously presented a scenario in which technology and emerging alternatives could eliminate the need for roughly half the current advisor population.

While we agree this scenario is plausible and even likely if the current fee mod- el persists, it is neither inevitable nor desirable.

In the enthusiasm for low-cost, automated methods, the benefits of human advice will perforce be compromised, and what remains will leave many people under-served.

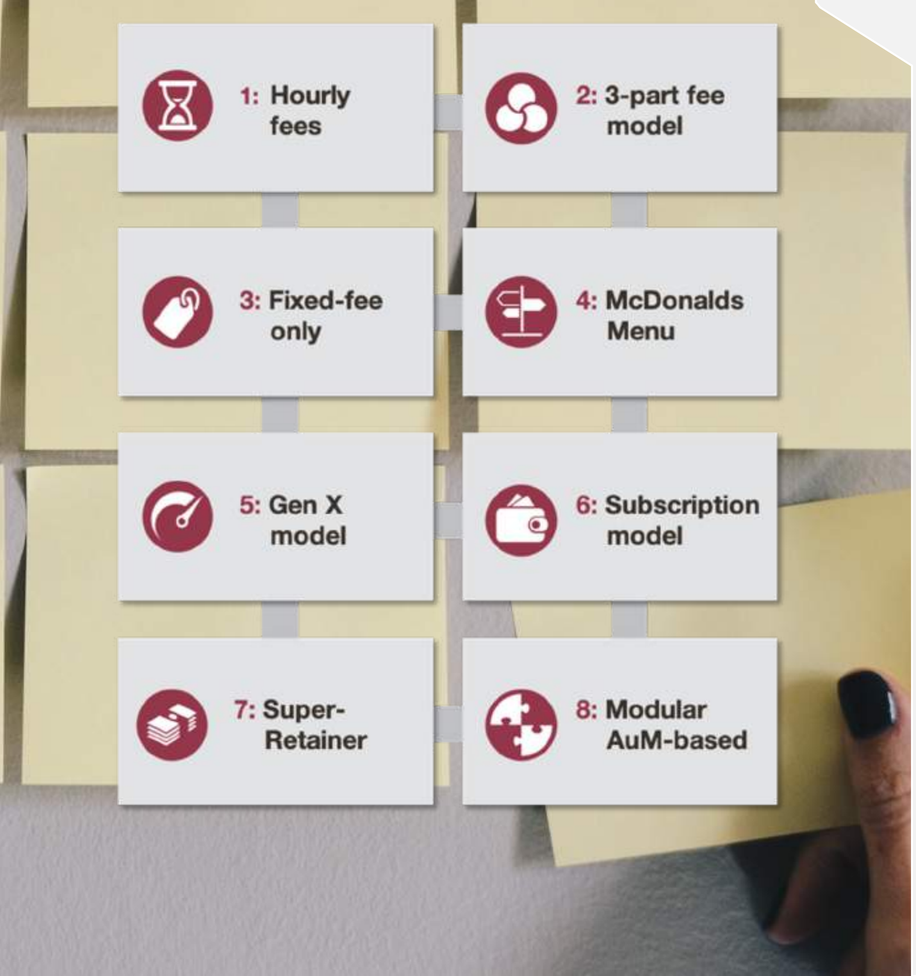
The First Movers have already moved

In reports such as ‘Pricing For Growth’ and ‘Re-wiring Wealth Management’, we have set out a path to developing a new proposition and pricing model that fits your client base.

One of the main obstacles to innovation is the justifiable fear that theory will not translate into practice. So when a real life practitioner implements a new mod- el and - more importantly - makes it work, this is an important milestone.

In the first half of this report, we’re going to look at some of these examples – what new pricing paradigms look like in reality.

In preparing this report, the pricing innovators in question have been good enough to share their thoughts



on the journey and its challenges with us.

In part two, we address common challenges and objections to implementing new price models.

Even with a ‘proven’ approach, there is no guarantee of success. It is always possible to implement a good idea badly.

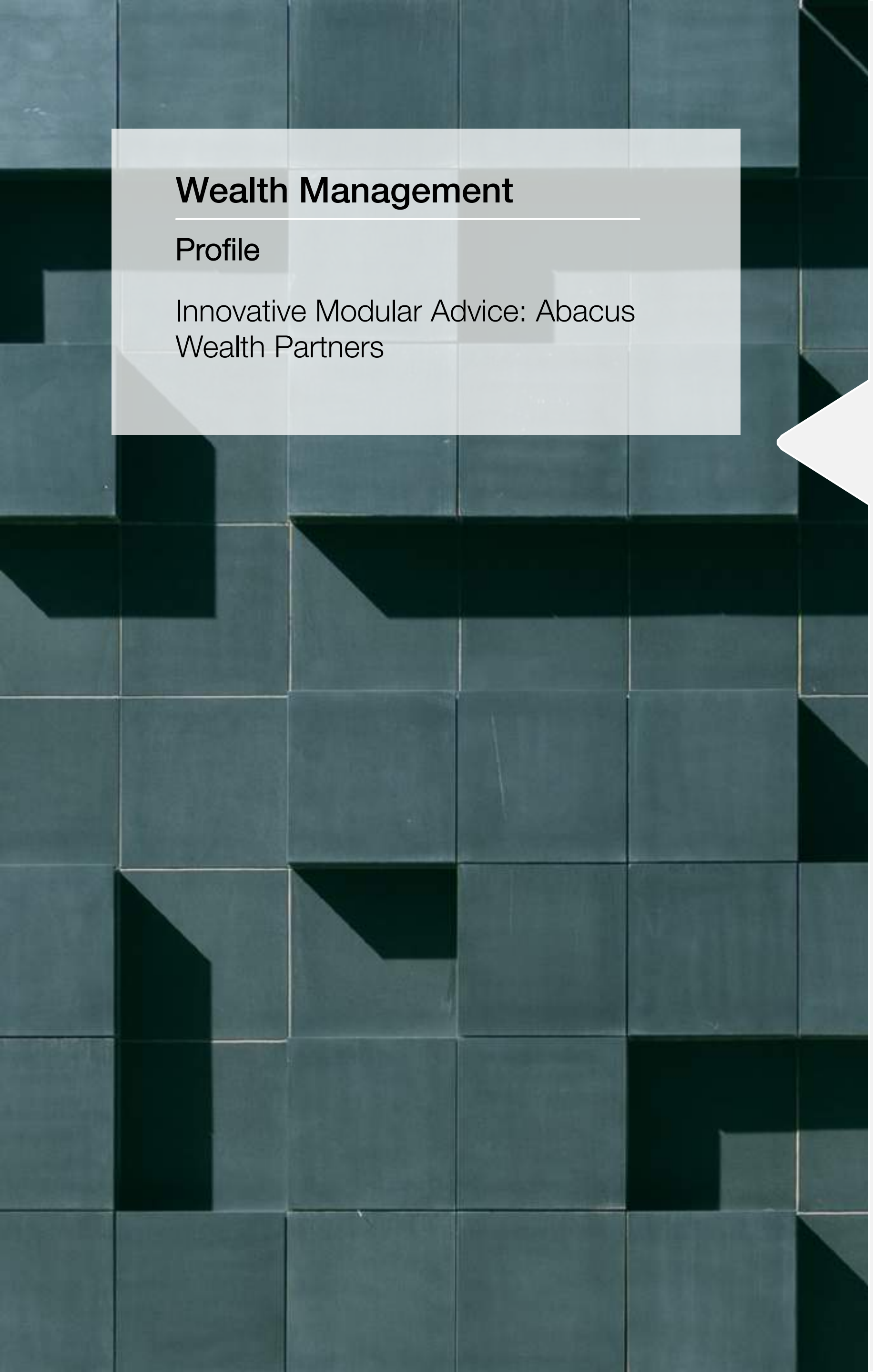
It may be that the model in question is wrong for your particular client base; the structure may be right, but the level is wrong; or the communication may be mishandled.

But these are simply reasons to do it right – not to avoid doing it altogether.

Moving to a new pricing paradigm will not be easy, but it is possible to take note, heart, and insight from entrepreneurs who have walked the walk and are blazing a trail for the future of financial advice.

The future will not wait any longer. The future of fees is now.

Download the whitepaper here.



Wealth Management

Profile

Innovative Modular Advice: Abacus Wealth Partners

Want to charge fairly for financial advice? Quantify the value!

A lot of the talk about pricing innovation in wealth management centers on good questions that happen to be the wrong ones. Should we bundle or unbundle planning fees? Should we go pure retainer? Is subscription the wave of the future?

How we charge is important, but what we charge is ultimately what matters, so far as fair pricing is concerned. No matter how you choose to charge a client $6,000 - whether it is in 12 monthly payments of $500, or expressed as a percentage of income (2% of 300k), or as a % of assets (0.60% of $1m) - the same question remains: what does $6,000 worth of advice actually look like?

Furthermore, how does it differ from what $11,000 of advice looks like?

How about $80,000?

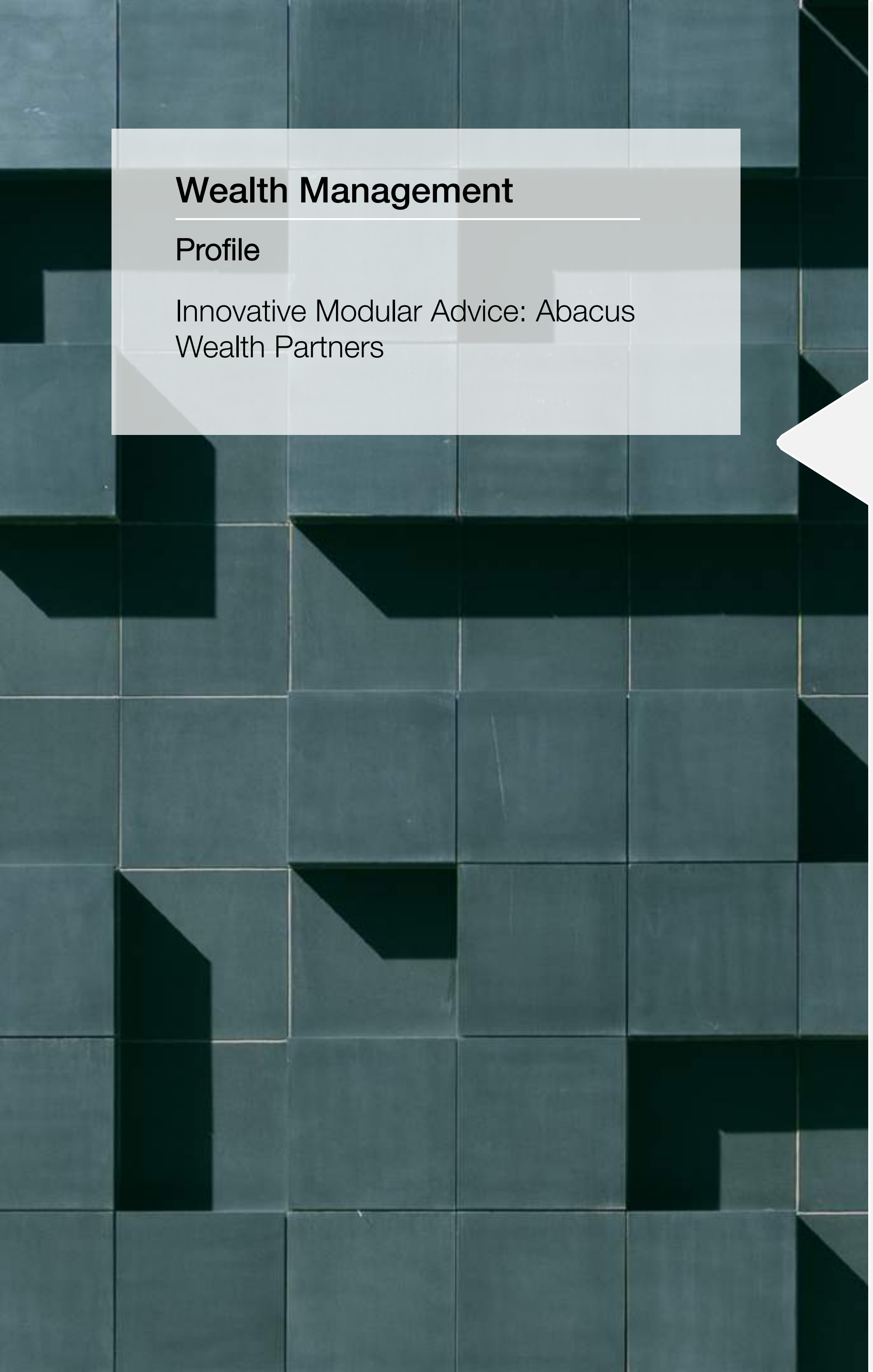
In a given portfolio of clients, you will find a range of $ fees being paid, and if the truth be told, few advisors can explain exactly why the disparity is so large in some cases, or why it exists at all in other cases (when the service is pretty much the same).

All advisors can share stories of problem clients who despite having a paltry sum of assets under management, suck in a disproportionate amount of the team's time, juicing the firm for every last drop of advice available.

Accordingly, a growing number of firms have begun to alter how they charge, using alternative metrics. Kudos to them. Innovation of any kind is always difficult and usually risky to boot.

Despite progress being made on the 'how', progress on the 'what', the other side of the equation: quantifying the exact amount of value a client paying $X is entitled to, is so far a road not taken, for the majority of the advice profession.

The hourly model is, it would seem, a perfect answer to the question. A hourly planner - if you catch them



in a spare moment - can give you an instant breakdown of a client's fees, reflecting not only time (in hours) but expertise ($ / hour based on the seniority of the advisor). See the website of Mark Berg's firm Timothy Financial for a splendid example of this.

However, as Mark himself would admit, the hourly model is not palatable for all clients, and it is certainly not an option for an advisor that currently makes money charging on assets. By definition, the clients of such a firm are comfortable with the asset-based fee, and to dislodge them suddenly would cause havoc both for them and the advisor's business.

So...where to begin?

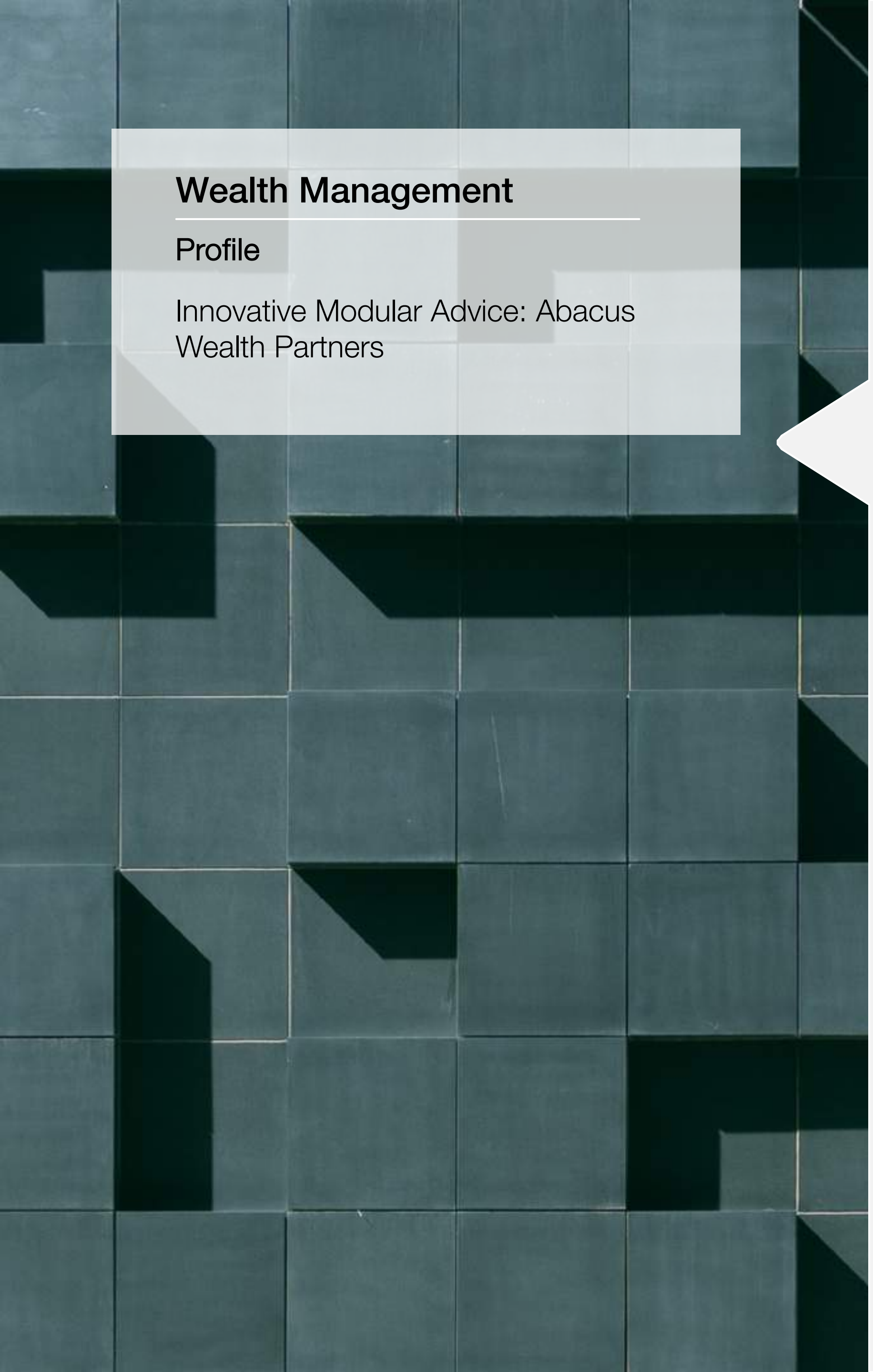
The task of quantifying the value of financial advice seems immense, and almost insurmountable.

Various attempts have been made to calculate the additional benefit of human advice on portfolio returns, such as behavioral alpha. Other factors have also been added to explain why one might charge a higher basis point fee for managing people's money.

But is there is a problem using basis points. Why? Because it is difficult to argue that all the benefits of financial advice scale with assets (i.e. double the assets --> double the value). One could even make the case that most of them are largely unconnected with how much a client has invested. At the very least, it is true that the correlation is not 1.0, as the current pricing model would suggest.

While asset-based fees fit the old-fashioned investment management proposition (i.e. money management without planning) like a glove, the value of the updated, holistic wealth proposition is correlated with other variables: for example, the level of access to an advisor or group of experts one receives.

If this were any other industry, we would approach the pricing problem by breaking down the value of the proposition into components, and quantifying the value of these individual parts. Perhaps we would use a combination of measures, such as cost-to-build (to create a minimum price), competitor benchmarking, or (ideally) elasticity and client willingness-to-pay.



Wealth Management

Profile

Innovative Modular Advice: Abacus Wealth Partners

This is not possible in wealth, because the first step - breaking down the value into parts - has not been carried out, or at any rate is not a universally accepted paradigm.

This in combination with the asset-based way of charging, leads to an impenetrable fog surrounding the value-fee relationship, leading most advisors (let alone clients) to throw up their hands and say "Well, the current system works, so we might as well keep going as we are!”

Enter Abacus Wealth Partners

A firm that has come closer than any other to solving the above problem, is Abacus Wealth Partners in Santa Monica.

Like most innovative firms, the company has a distinctive origin story. The firm had a mission to serve any individual who walked through their doors, based on the Buddhist principles that the two co-founders follow, necessitating the option of charging a straight-up fee-for-service.

To do this properly, they realized they needed to think systematically. If a dollar fee is to be charged, how much should it be, and what should a client receive in return? That's our exam question above!

The solution they came up with is both sophisticated and easy to understand.

They broke down the value proposition into thirty 'modules', which together make up the sum total of the Abacus Wealth Partners offering.

Read the rest of the profile here.

Wealth Management

Web Copy

Landing Page: Prismatic Capital (Thematic Investment Fund)

Invest in the future of finance

Decentralized, blockchain-based solutions are rising up to replace traditional financial institutions. Gain exposure to this rapidly growing, disruptive asset class.

A cryptoasset investment firm

Our actively-managed hedge fund invests in the entire spectrum of digital assets, with an emphasis on decentralized finance (DeFi). We aim to strike a balance between commitment and agility, backed by a thematic, research-driven approach to investing.

Passive is not an option

Crypto is among the fastest growing asset classes of all time. However, this emerging space brings tremendous volatility and requires vigilance to manage wisely. That’s why an active approach is required to secure your returns. We deploy a responsive investment strategy built on deep-domain knowledge, value-based fundamentals, and disciplined selection criteria.

The new blockchain economy

Web3 is more than just the next iteration of the internet. In adding a dimension of ownership to consumer-facing products and services, it is revolutionizing how we create, exchange and communicate value. Blockchain is more than an industry – it’s a movement to democratize and de-risk the very foundations of our economy. From GameFi to MusicFi, the tokenization of value is re-wiring how entire industries exist and operate.

Wealth Management

Web Copy

Landing Page: Prismatic Capital (Thematic Investment Fund)

DeFi: Disrupting traditional finance

Navigating the future of finance with legacy infrastructure is like bringing a horse and buggy to the F1 race track. While traditional finance has stood still, the next generation of blockchain-based protocols and primitives have re-created lending, trading and insurance solutions on-chain. By eliminating centralized intermediaries, DeFi delivers a future-ready financial system, optimized for fairness and efficiency.

Many areas of crypto remain experimental and undeveloped, but DeFi is already a sizeable, profitable industry, achieving product-market fit in a few short years. It's not only one of the fastest growing segments in the crypto ecosystem, but also represents one of the largest addressable markets from a global perspective.

How we invest

Our investing outlook is long-term. This means we select based on fundamentals, not hype.

We seek investments that fulfill most of the following baseline criteria:

- Large addressable market
- Growing market share
- Differentiable offering with competitive advantage
- Loyal and engaged community of supporters
- Experienced, high-caliber team
- Attractive tokenomics

While our primary focus is on value appreciation, we also maximize returns through staking, lending, and yield farming, making full use of the DeFi ecosystem.

Wealth Management

Web Copy

Landing Page: Prismatic Capital
(Thematic Investment Fund)

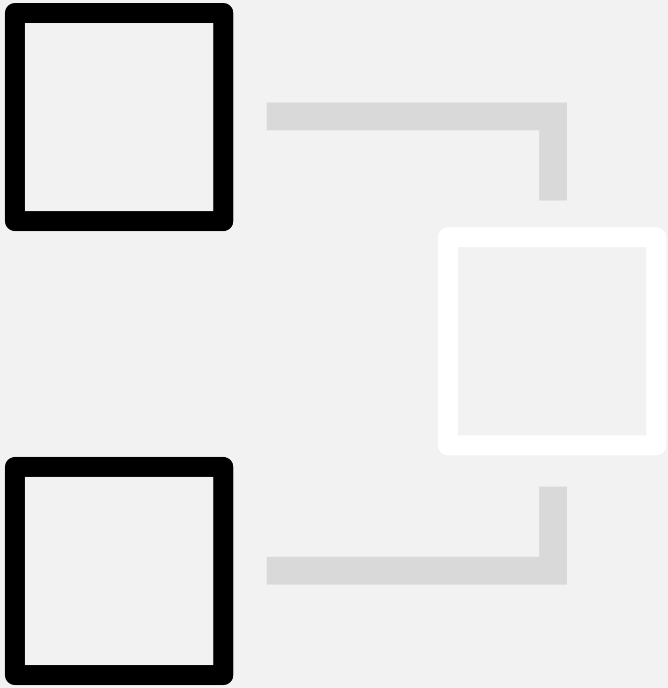
What makes us different

We are domain experts with a focus on decentralized finance, but can also pivot to take advantage of compelling opportunities or react to market changes.

A core part of our investing approach is to first identify several major themes we believe will outperform, then identify a handful of leaders within each segment to invest in. We only invest in liquid (or pre-liquid) tokens.

We require a lock-in period of only 1 year (followed by quarterly redemptions), aligning our interests with those of our limited partners while preserving their near-term liquidity.

Visit the Prismatic website here.
(Web copy may since have been updated)



Wealth Management

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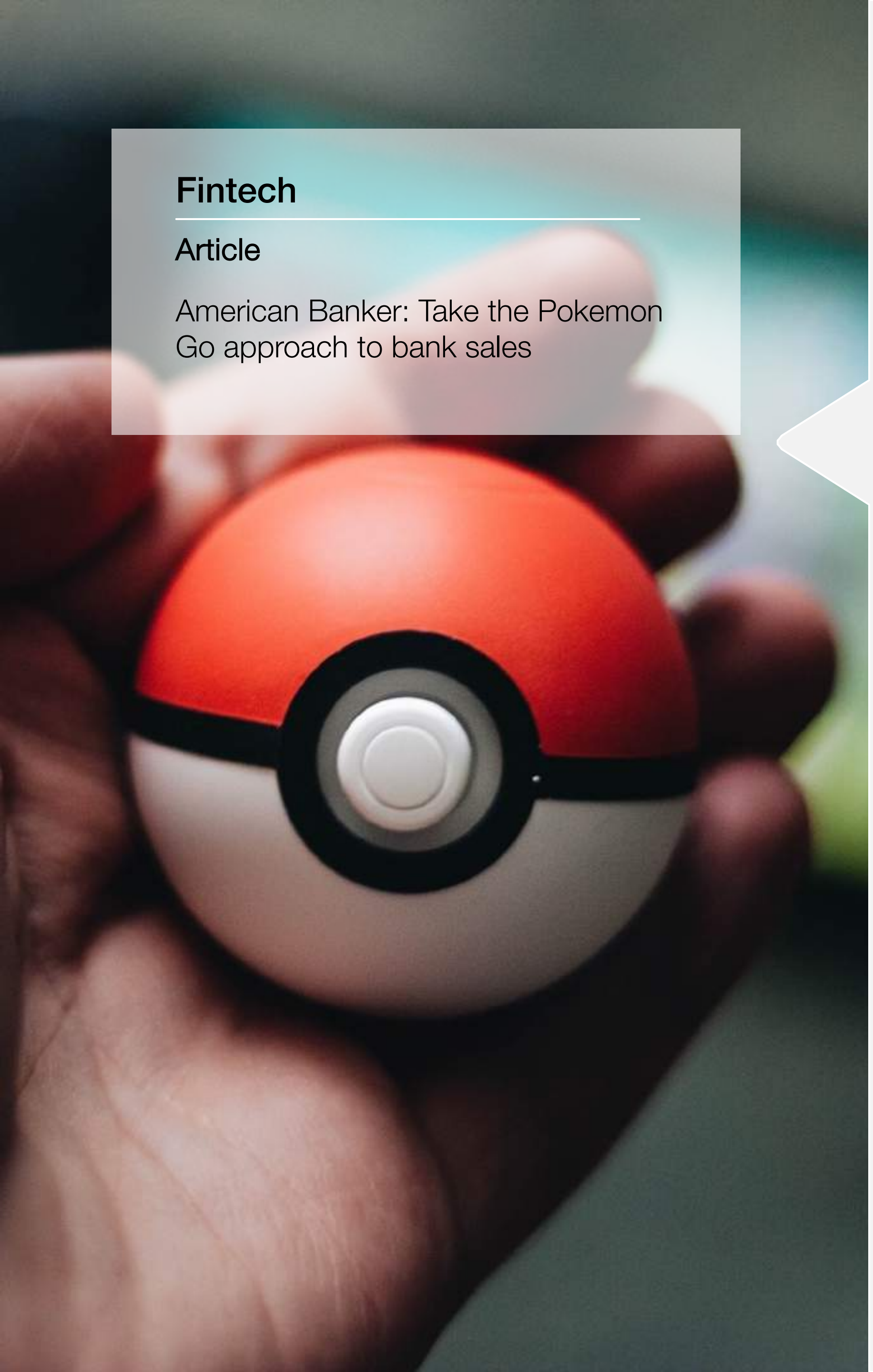

Fintech

Article

American Banker: Take the Pokemon Go approach to bank sales

The reason for Pokemon Go's wild success befuddled analysts, investors and journalists alike. However, the reasons the app was an immediate hit were clear for psychologists: The Pokemon Go app fulfills our psychological need for autonomy, challenge, achievement and reward — a combination that delivers a rush of dopamine to the brain.

Banks should use Pokemon Go-like motivational psychology principles to support their digital revenue strategies instead of what most institutions are doing now: overspending on their sales techniques.

Consider the current state of reward credit cards. These are still all the rage, but they are putting bank profits and pricing power at risk.

For one, cash cards typically do not charge an annual fee, and the redemption rate for cash-reward cards is very close to 100%. To make matters worse, competition is fierce with banks pushing point- reward credit cards higher and higher.

Recently, JPMorgan Chase shared that its highly popular Sapphire Reserve credit card — which enticed customers with a huge sign-up bonus worth $1,500 and other lucrative perks — is costing the bank some $200 million to $300 million. As a result, the bank took a hit to its fourth-quarter 2016 earnings.

It doesn’t have to be so expensive. It is a fallacy that customers respond only to monetary rewards.

People do not complete jigsaw puzzles, play scrabble or hatch metaphysical Pokemon eggs for monetary gain. In actuality, we often find humans pursuing these activities with a dedication beyond that which they apply to their jobs.

Never underestimate the power of dopamine. So for a more cost-efficient way to engage customers and build loyalty, banks must take into account how the human mind works just as the Pokemon Go app does.

Bank designers could consider introducing gamelike principles into the sales experience, such as advancement arcs to various levels like bronze, silver and platinum. This could attempt to replicate the enjoyment one gets from the challenge-achievement reward process in a standard game structure.

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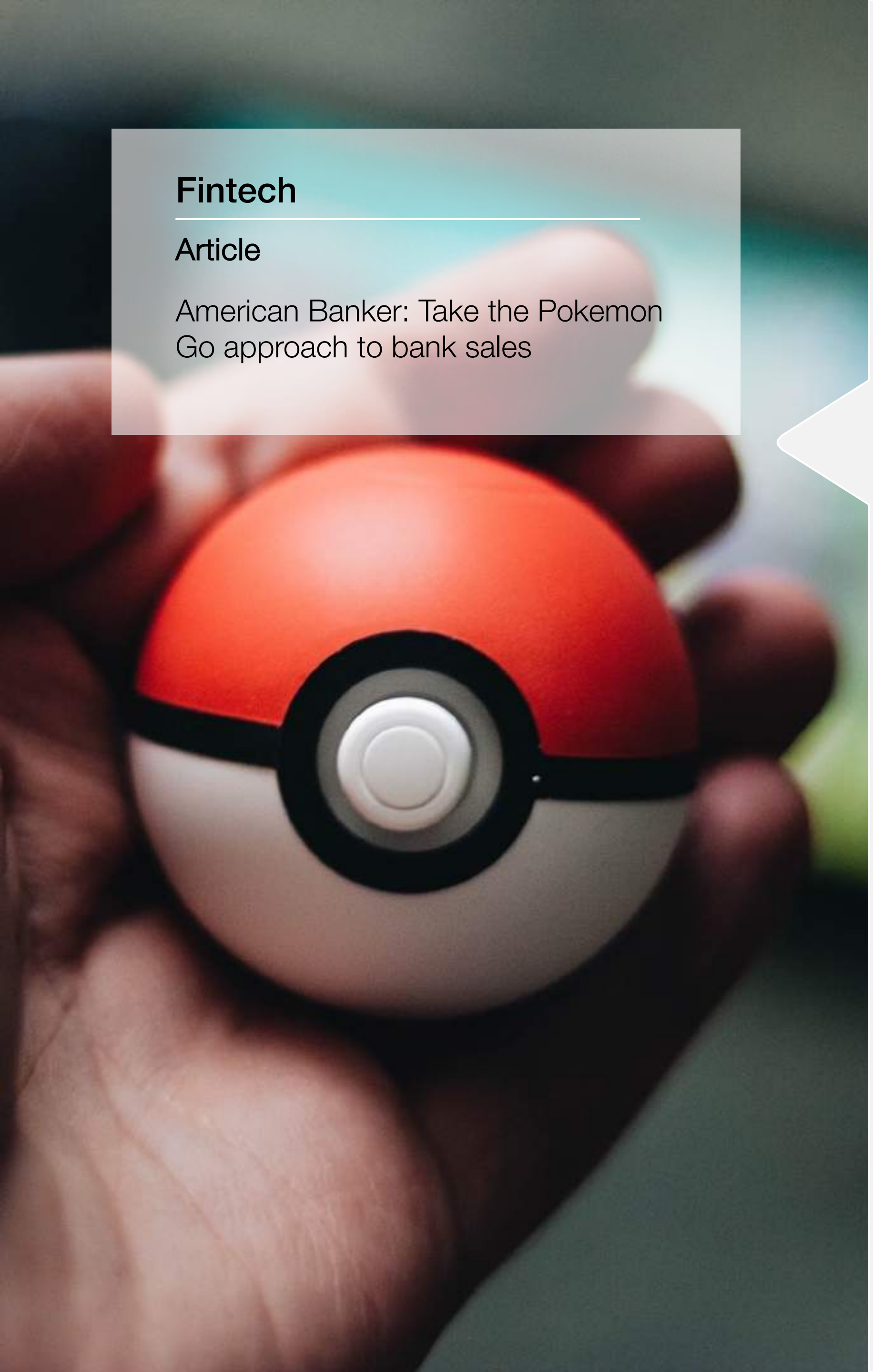
Article

American Banker: Take the Pokemon Go approach to bank sales

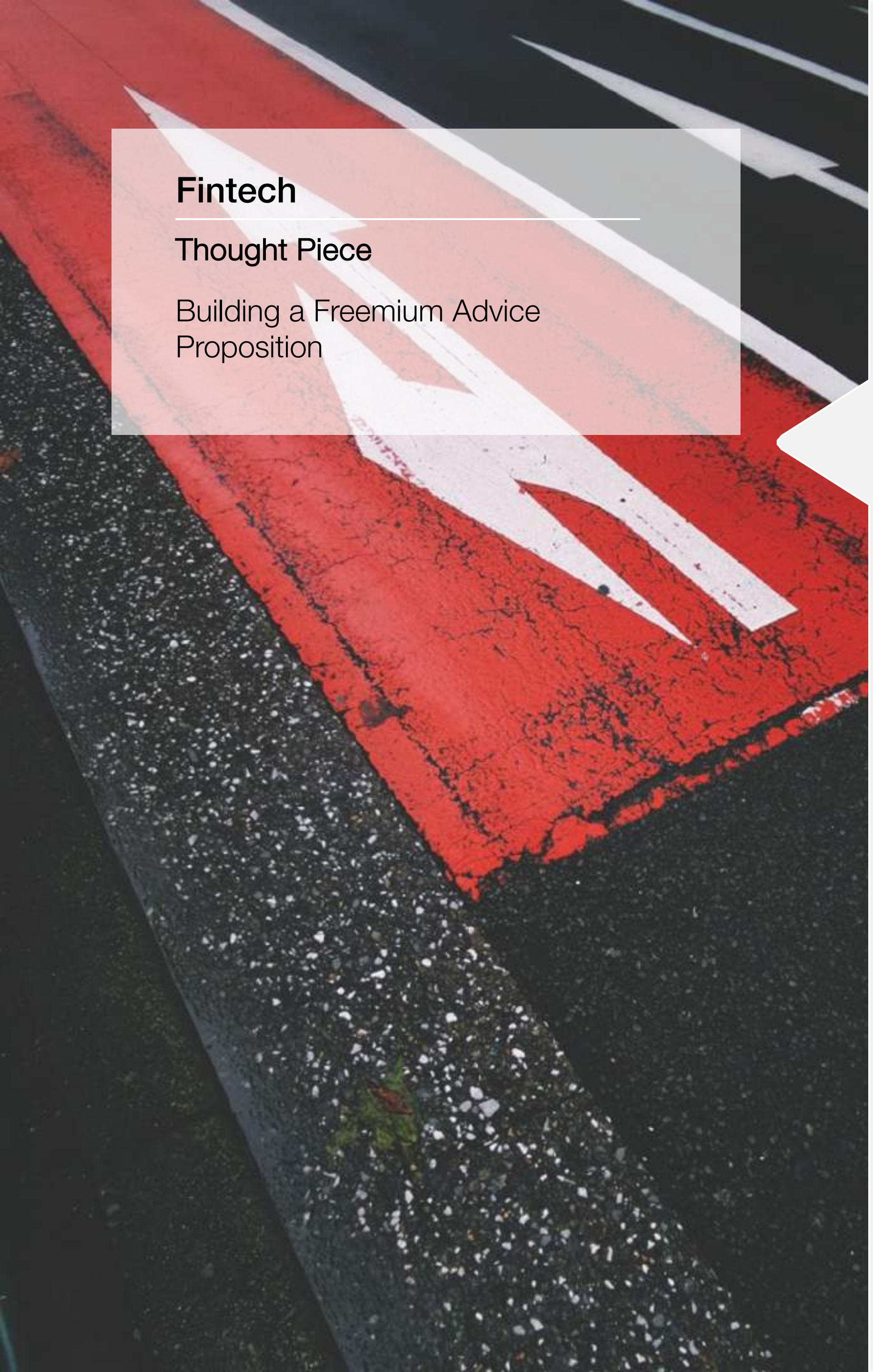


Consider the scenario of when a customer signs into a bank's website. To apply the principle, the bank could present the customer with a jigsaw arrangement where each piece represents one of the bank's offerings, such as savings and financial advisory.

The advancement arc is to complete each piece by signing up for the bank's other offerings. In turn, customers will get rewarded with price reductions. Completing the game and matching the colors also delivers an intangible reward: the satisfying visual of a completed jigsaw or picture.

If banks draw lessons from addictive engagement of games like Pokemon Go, they are in a position to take modest steps to relieve the complexity and boredom of financial services.

You can read the original article here.



Fintech

Thought Piece

Building a Freemium Advice Proposition

M1 Finance's price point of 0% for its investment management offering potentially heralds a new era of zero pricing.

An alternative to this 'Free' model is the 'Freemium' model: users can try a basic version of the service at no cost, and graduate to a paid version with more features later if they wish.

As covered in the last post, Freemium is preferable to Free, for obvious reasons. It possesses all of its benefits, with the potential for additional upside.

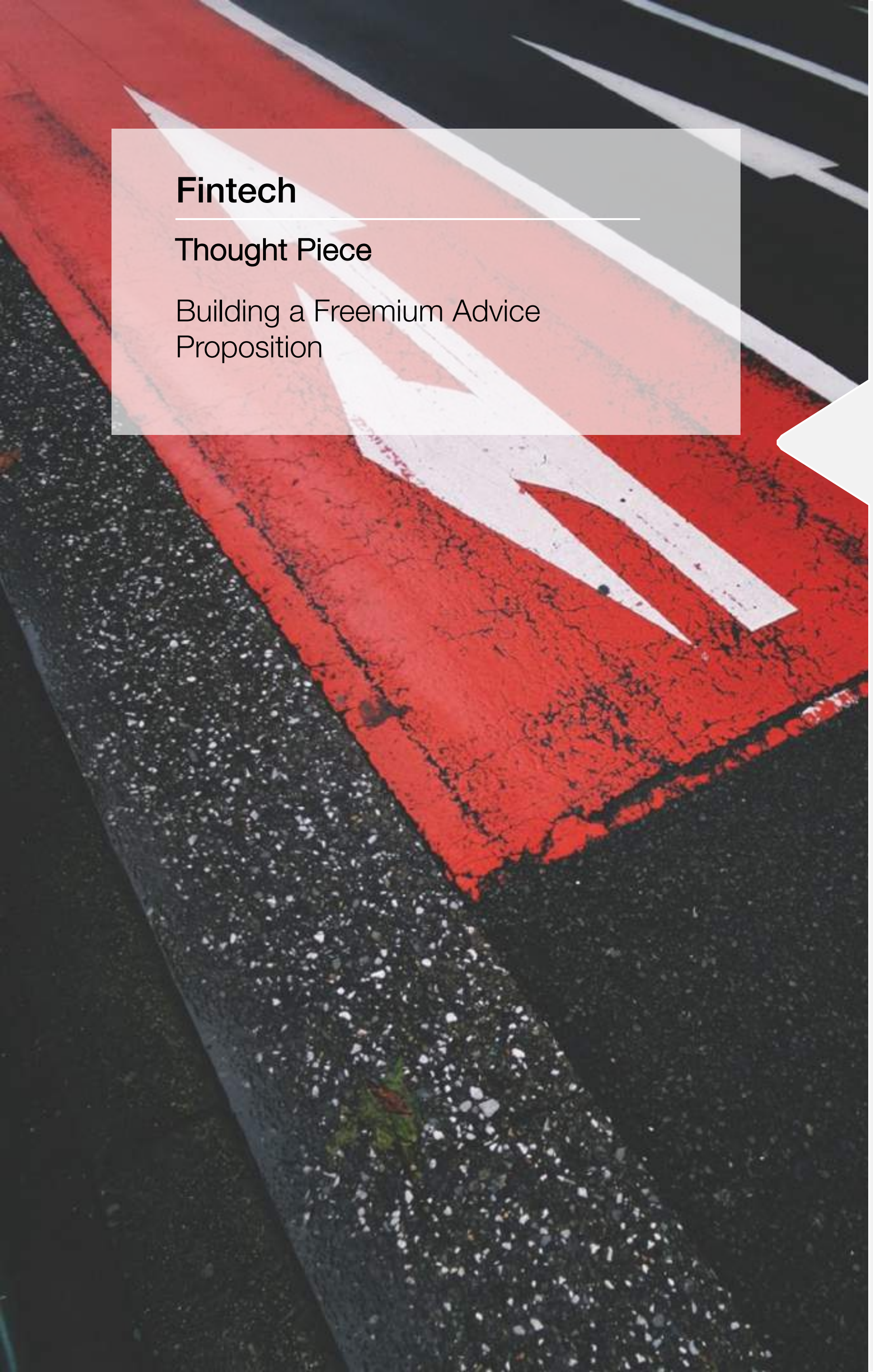
It also avoids the hard-to-reverse consequences of abandoning price as a revenue lever, both in profitability and value perception terms.

But there are situations when Freemium is more likely to work than others. For instance:

- You are more concerned with acquiring users than growing revenues
- People don't understand your product - and need to test it out before paying up
- You believe that at least some users would be prepared to pay for a premium version

What does this mean for wealth management?

1. **Users vs Revenues:** In general wealth management is more concerned with getting revenues than acquiring 'users' (that's why asset minimums exist). Banks could in theory be the exception to this rule, because a 'user' of a free wealth management service has other financial needs (checking, loans etc) that could provide 'offset' revenues. Another approach would be to regard 'free' users as future premium clients, to be captured early and converted when they reach an appropriate age (nod + wink).
2. **Try before you buy:** Wealth management is misunderstood by many as 'investment management', and the few who understand planning may perceive incorrectly that it can be replicated by self-service software. If one could expose a user to unique features that cannot be delivered by low-cost alternatives during a trial phase, or simply by effective communication after on-boarding, it's possible that this could be addressed.



3. **Willingness-to-pay for Premium:** we know that willingness-to-pay exists, because people already pay for premium wealth management and we have spent decades developing a human-based, high-touch relationship model that we and our clients appreciate.

Add this all up and you are left with a puzzle.

If we come up with a free model that does not cannibalize premium revenues, but does provide an experience compelling enough to set us apart, and persuade a significant minority of clients to trade-up, what features should be in free vs. premium? And what are we supposed to do with all the free users?

That's not a question to be answered in a Linked-In post. But we can draw some inspiration from companies that have succeeded in making this work.

Six criteria for a successful Freemium offering

1: Viral adoption

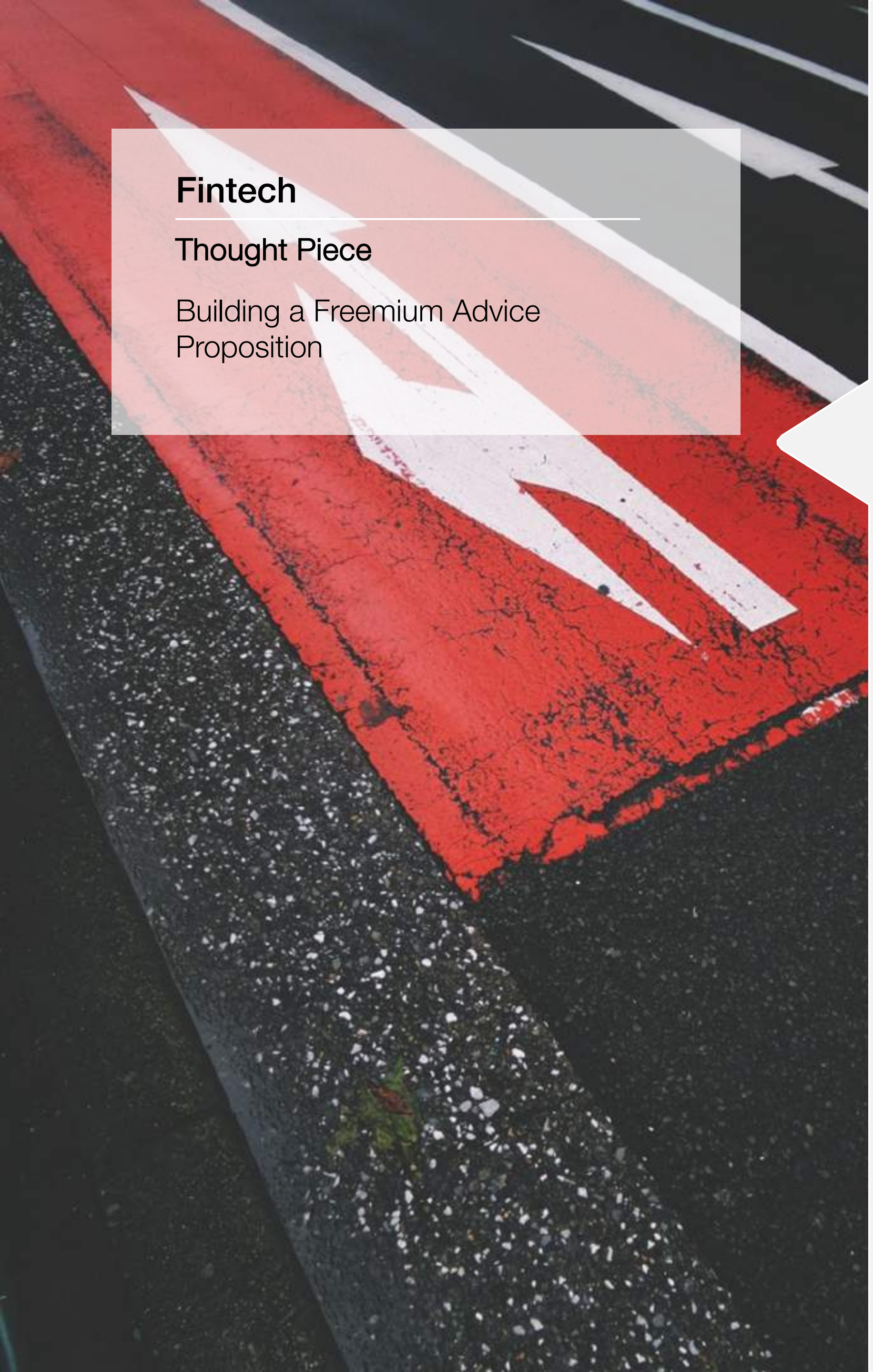
Example: the only way to receive a PayPal payment is to have a PayPal account, so account holders will advocate for their networks to sign up for their services.
It's not clear how this would work for investment management. There is never a pressing need to save for the future, so the viral potential is unclear.

Verdict: Weak

2: Low cost-to-serve

The ratio of free-to-premium users will be high. Therefore a small increase in the cost to serve free users has the potential to wipe out profitability.
The free offer would need to be scaleable, largely focused on investments and with automated interactions only. Human services would be fenced in the premium offer.

Verdict: Moderate



Fintech

Thought Piece

Building a Freemium Advice Proposition

3: Large market

Assuming 2-5% of users migrate from free to premium, one needs to believe that the market as a whole is big enough to make the 2-5% sufficiently large.
This is no problem for wealth management, as it's a service that everyone needs, and that most people don't have access to.

Verdict: Very Strong

You can read the full article here.

Rethinking Value Communication: The Key to Revenue Growth in the Digital Age

By now, most banks around the world recognize the importance of having a digital strategy. However, despite the enthusiasm for digitalization, only a relative minority of banks have seen their investments in digital initiatives make genuine contributions to revenue growth.

The problem stems from the fact that most banks approach their digital initiatives as a process improvement. In a survey of more than 500 financial institutions about their strategic priorities for 2018, the Digital Banking Report found the top five reasons were: improve the digital experience, enhance data analytics capabilities, find ways to reduce costs, automate core processes and retrain talent to meet changing needs. There was no mention of embarking on a digital banking initiative to return a profit when this should be a strategic imperative.

Three things are different in a digitized world.

Firstly, everything is connected. This means customers are connected to networks, have access to information and possess devices that are connected. Digital technologies and the easy access to them have greatly impacted banking customer's attitudes, preferences, intentions and decisions when purchasing and consuming financial services. The dynamics that surround the decision-making process and the factors that influence purchases are dramatically different in the digital age.

The second change to accompany digitalization has to do with the sales dialogue and channels. Digital channels have forever changed the buying experience and affected how we promote, market and communicate our products and services. Thirdly, data and analytics capabilities have advanced greatly. We now have better tools to study and accurately predict buying behavior.

These changes suggest that a business's revenue model should probably also change. However, in a 2017 Simon-Kucher Global Pricing Study we found that only 37% of businesses are considering reevaluating their revenue models for the digital age.

In order to assure we are able to monetize our digital initiatives, we have to find ways to unlock new revenue opportunities while improving customer experiences with new digital features.

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Journal of Digital Banking

Rethinking Value Communication: The Key to Revenue Growth in the Digital Age

We must leverage analytics for more precision pricing and to support a clearer understanding of customer's needs and behaviors. Finally we must focus more effort in the final digital mile – the offer presentment stage – to ensure we can sell better.

In this article, we address the third element of offer presentment. Coming up with the right features and the right pricing is vital. But unfortunately, it's not the end of the story. Offer presentment is a vital and critical component that remains largely unaddressed.

Presentment: the "Final Mile"

Starting from the basics: in order to become our customers, prospects must be able to comprehend both our product's value and link this to the price, before concluding that the former is right for them and the latter is fair.

You would think that if the product is good and the price is fair that clients would naturally figure this out. That's the beauty of an efficient market, right?

Well, one of the key findings of behavioral economics is that individual decisions are not rational – that is, their preferences can change depending on circumstances unrelated to value and price per se. Intuitively, we can all call to mind instances where a product that we felt to be objectively superior was inexplicably beaten to first place, or run out of business entirely, by another product.

Let's take Apple's iPod, for example, which came to dominate the mp3 player market. An informed industry observer might have told you that the iPod was less robust than other players, and certainly not worth paying a premium for. When the iPhone – another star product – first emerged, expert reviewers noted that it did not contain a single feature that was not already in the market.

What was the success factor? Quite simply: presentment.

The full article can be accessed at the Journal of Digital Banking website.

Fintech

Thought Piece

Are Virtual Assistants Stealing Your Clients?

Aside from being painful, personal finance is also boring. And in financial services, we like to keep it that way.

There are good reasons for this, including the fact that finance is a serious topic, and a heavily regulated one.

The problem is, when people are bored, they disengage and make bad decisions, which is bad for them and bad for us.

While traditional finance puzzles over how to solve this issue, outside disrupters have hit upon what appears to be the perfect solution: virtual financial assistants.

These anthropomorphic intermediaries use a naturalistic medium of the SMS-style conversation, complete with memes, puns and a relentlessly upbeat persona, to deliver information, reminders, and - importantly - recommendations.

The Rise of the Assistants

Personal Finance Management (PFM) applications have been around for a while. While they have contained many worthy features, they have also, by and large, failed to engage people.

Why is this? One reason could be that they are predicated on the catastrophically naive assumption that people are rational, and entirely motivated by long-term monetary aims (saving for goals, tracking expenses etc).

Long-term financial stability is possible only through a series of repetitive short-term actions. What PFM apps have typically lacked is the element of fun, which is a far more powerful motivator for action in the short-term.

In contrast to standard PFM approaches, Virtual Assistant apps are a more recent phenomenon, emerging in the last couple of years.

The chatbot interface simulates a real-time conversation, while the underlying function of monitoring

spending and goals is more or less the same.

Yeah so what?

Why should this next iteration be any different, you mean?

The difference is the engagement factor. As mentioned earlier, successful AI must be a combination of astute psychology (understanding how to work with the irrational human brain) and analytics (leveraging the data we have to do the things we can't).

Bankers, being a serious bunch, have tended to over-focus on the analytics side of things. When the analytics are sharp but the psychology is blunt, however, the result is a gigantic waste of resources.

Take the worthy aim of running super-sophisticated analyses to predict client needs before they are aware of them, to make the 'next best offer'.

Particularly with big-ticket items, selling is not just a question of 'making an offer', but about telling a convincing story.

If we use enhanced analytics simply to send more targeted spam - an increasingly ineffective tool in an age of super-saturated inboxes and ever-more cynical clients, it feels as though we are missing a trick.

I refer you to my earlier question: SO WHAT?

I'm coming to the point. When you begin from a psychological rather than an analytical perspective, you are helpfully constrained, and are forced to use data analytics to solve the right problem.

Which is not, "How can I optimize spam campaigns?" but, "How can I build trust with my clients in such a way as to become their primary financial resource?"

If you achieve the second, far greater aim, you maximize revenues as a result of providing a superior service, and everyone is happy.

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Thought Piece

Are Virtual Assistants Stealing Your Clients?

But - and this is a big but - the consequences of AI will likely force radical change in the way we design, market and price financial services.

For more, read on.

Meet Penny

Penny is just one of various financial assistants available nowadays, but is perhaps the latest and greatest practical example of the combination of psychology and analytics.

As mentioned, the underlying function of the app is not what makes it different, but the way in which the functionality is delivered.

By conducting the conversation in the style of an SMS chat, the brain is constantly engaged by a rapid-fire dopamine release.

This is important. Dopamine is what keeps people glued to social media sites, or up all night playing video games (for no monetary reward). Understand dopamine, and you understand how to motivate people to do stuff - now.

Research has shown that dopamine is stimulated not just by rewards, but by unpredictable rewards.

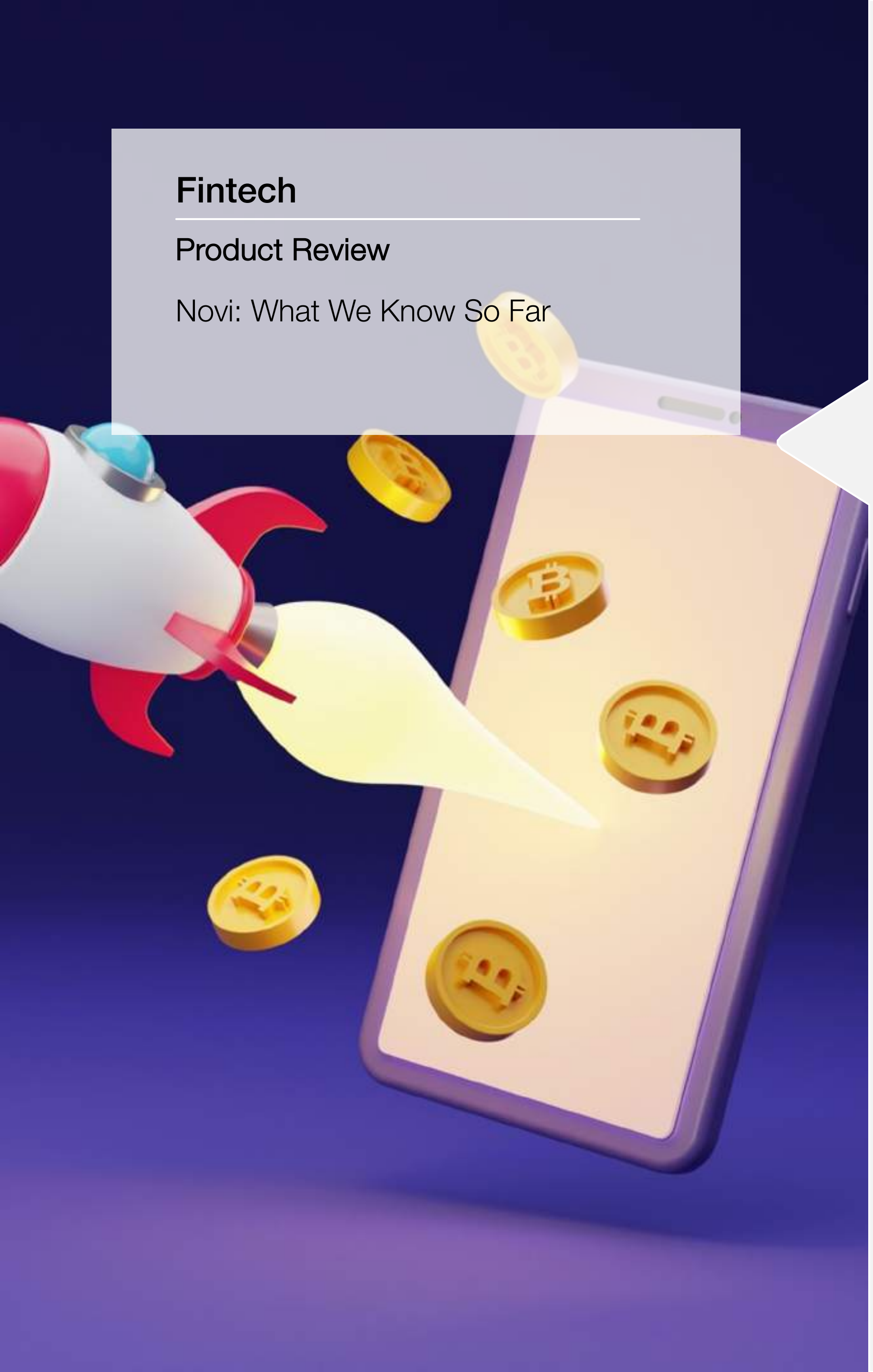
Penny - like her virtual assistant cousins - is unpredictable in terms of what she will say next.

You can access the full article here.

Fintech

Product Review

Novi: What We Know So Far



Introduction

Nearly two years in the making, and with a very rocky beginning, the Novi crypto wallet from Facebook is finally being launched in Guatemala (as a pilot initiative for now).

Conceived as part of Facebook's grand plans to create a new blockchain, programming language, and global currency, the initial version of the wallet was called Calibra, in reference to the Libra cryptocurrency that was then under development.

Numerous objections were raised following the announcement, not least from central bankers and governments nervous about one of the world's biggest international companies making a move to creating a privatized, borderless currency of its own.

Facebook scaled back its ambitions (probably wise - given the technical difficulties involved in achieving them) and pivoted from creating a global currency to becoming a global bank. As it no longer poses a threat to the US dollar, government opposition, stateside at least, has subsided.

The revamped Novi program was scheduled to launch in early 2021, and as of the time of writing (September 2021) it appears that the app is finally nearing completion.

The head of Facebook's financial services division David Marcus wrote a blog post in August 2021 outlining the aims of the initiative. Licenses have apparently been secured or approved in every US state, and the company hopes to expand into as many countries as possible.

Let's take a closer look at it.

Overview of Novi - what sets it apart

Viewed just as wallet, Novi looks to be a solid addition to the range of options currently available for cryptocurrency users.

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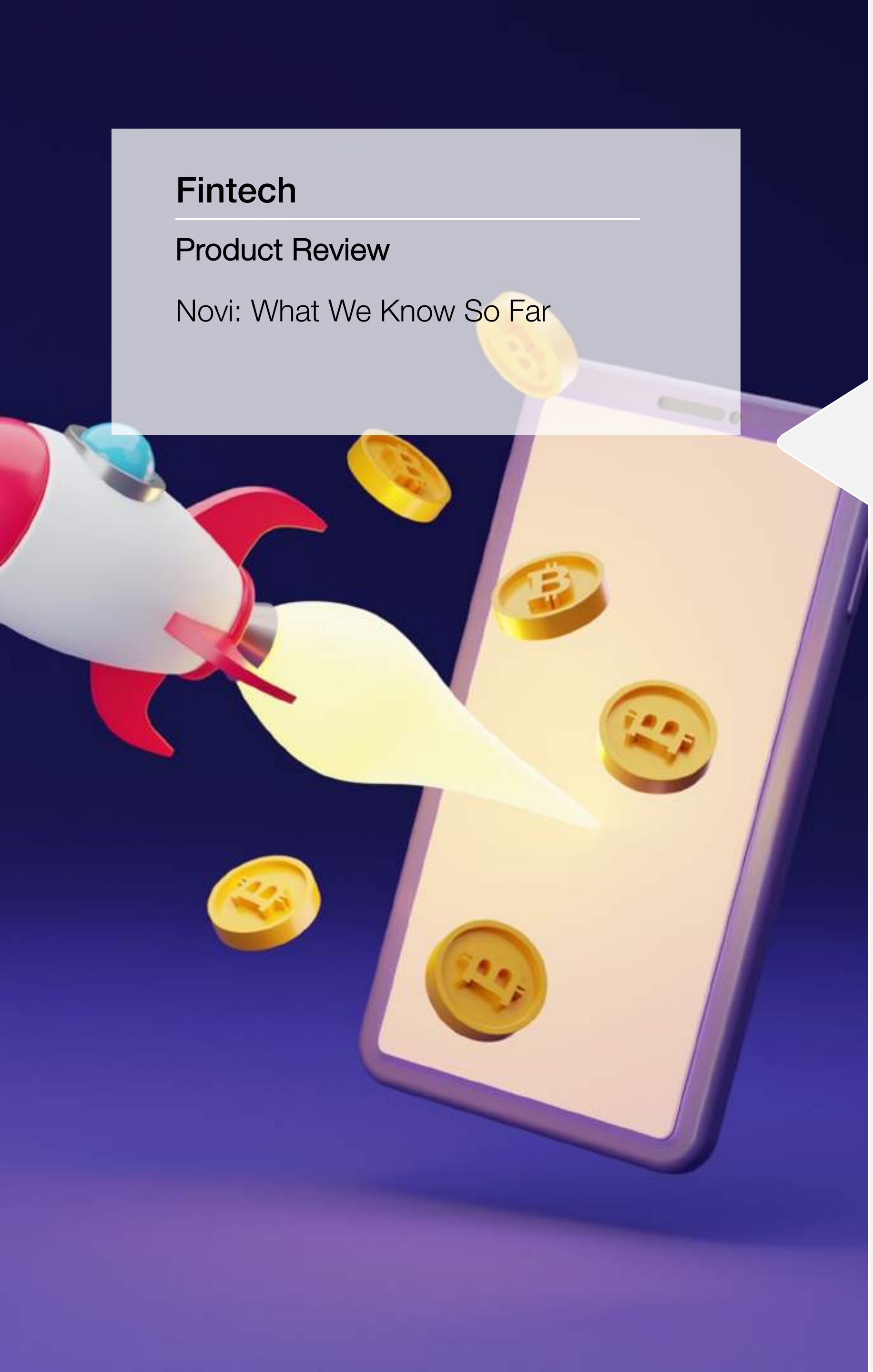
Product Review

Novi: What We Know So Far



Think of it as ‘My First Crypto Wallet’. Currently limited to carrying the Diem group of currencies, Novi’s easy-to-use interface and large captive user base (anyone who uses a Facebook product such as WhatsApp or Instagram) could be a game-changer for crypto’s acceptance.

A large portion of the world’s population is unbanked (including 62 million Americans), and cross-border payments using traditional cash-to-cash methods face fees of up to 6.5% and settlement periods of up to 3 days. Facebook already processes $100bn in payments per year, and believes that it could become the global bank for those left behind by the current system.

Novi - Components in more detail

Novi stands for ‘new way’ (a contraction of the two Latin words novus and via).

The wallet is free to open, and there are no transaction fees for international transfers. Anyone with a smartphone and a government-issued ID can open an account.

Security is similar to a standard app, with two-step verification and biometric authentication methods available. Unlike the majority of crypto applications, users are guaranteed a full refund in cases of fraud, and customer support is available 24/7.

Money added to the wallet is converted to the corresponding Diem token (e.g. 100 USD → 100 DiemUSD, equivalent in value), and transfers are made in seconds. To send money to anyone on the planet, you only need their Diem address, which you can look up easily by entering their name followed by @novi (e.g. JohnSmith@novi). It is also possible to make purchases with the Diem currency, where accepted.

When withdrawing funds, users can convert the money back to fiat after reviewing the exchange rates.

Facebook does not own the Diem currency. It is based on a permissioned (i.e. not decentralized)

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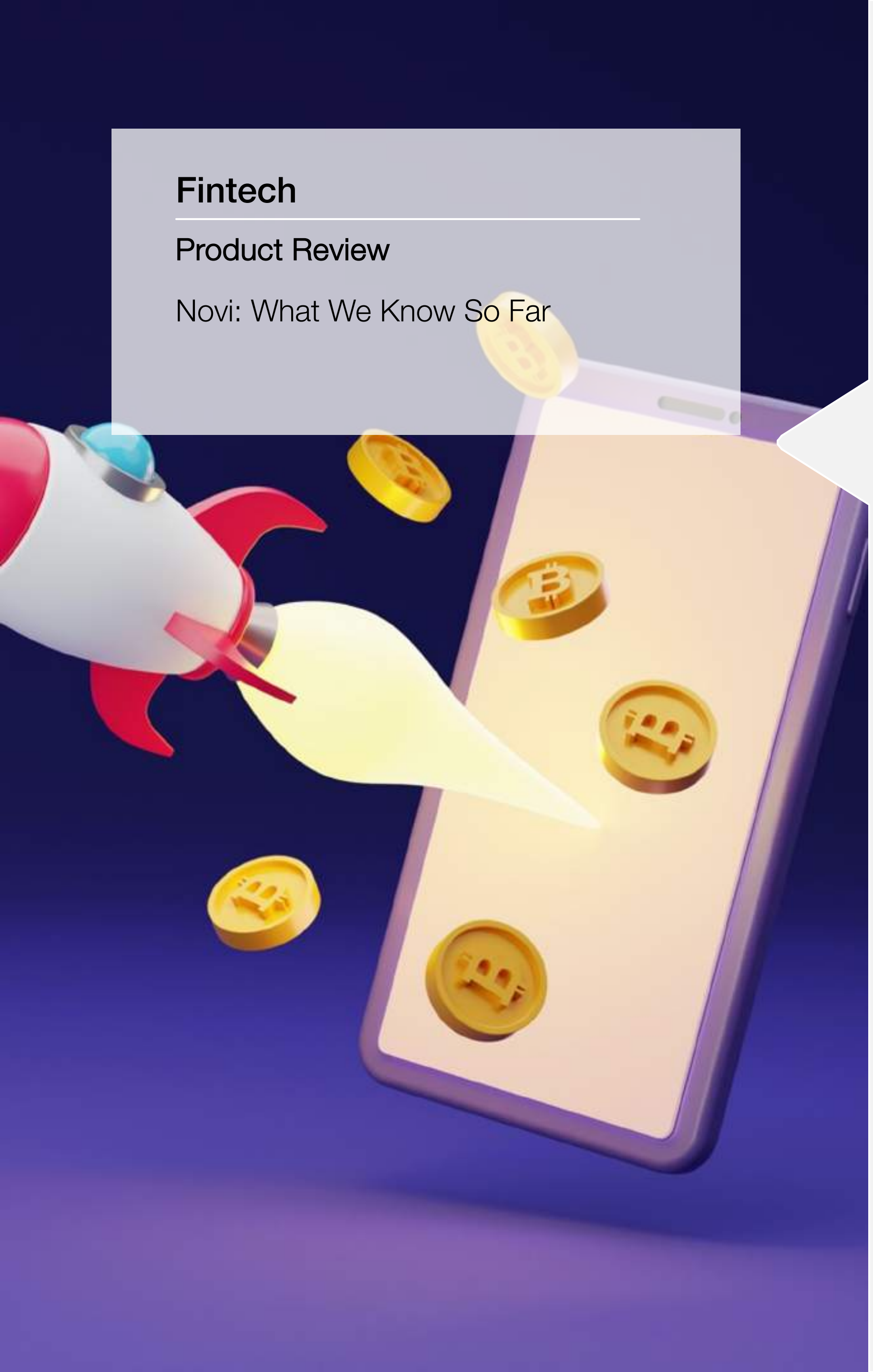
Product Review

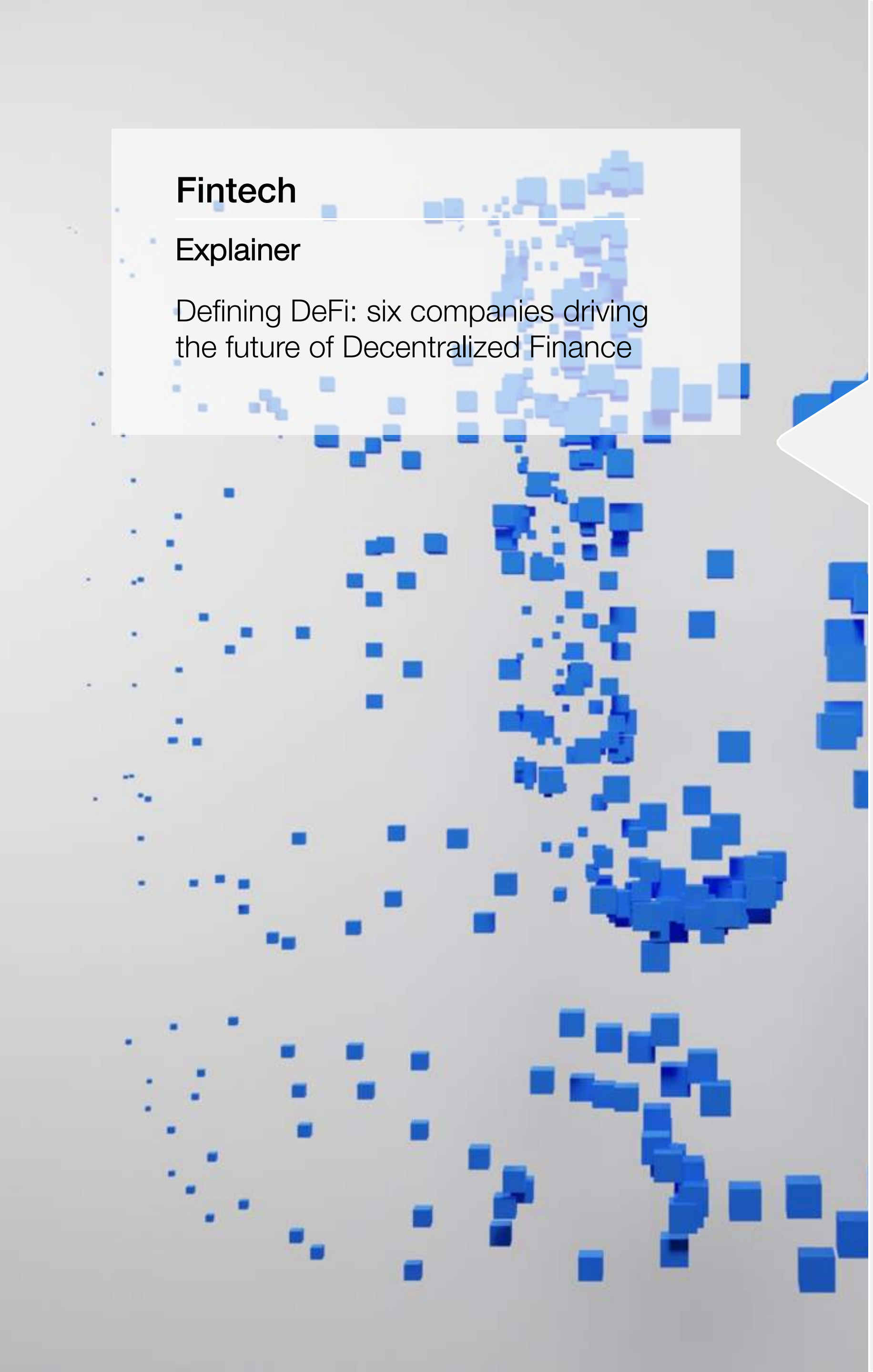
Novi: What We Know So Far



blockchain backed by the Diem Association, a non-profit consortium of which Novi Financial is a member, and which also includes Lyft, Spotify, Uber, Shopify, Coinbase, Andreessen Horowitz, along with over a dozen other members.

The Diem currency basket consists of stablecoins pegged to individual currencies (≋USD, ≋GBP and ≋EUR). There are also plans to add a combination currency (≋XDX) as well as additional tokens (potentially BTC, ETH etc.) and NFTs.

Read the full article here.



Fintech

Explainer

Defining DeFi: six companies driving the future of Decentralized Finance

"If we assume that the WWW revolutionized information, and that the Web2 revolutionized interactions, the Web3 has the potential to revolutionize agreements and value exchange."

- Shermin Voshmgir, The Token Economy: How the Web3 reinvents the Internet

The premise behind Decentralized Finance (DeFi) is that the standard financial system can be rebuilt from scratch using blockchain-based technology. The idea is not to improve existing institutions, but to replace Kafkaesque bureaucracy and inefficient processes with smart contracts and tokenomics.

This helpful diagram shows how DeFi creates a 'mirror' of the Traditional Finance space. Later in this piece we will examine six specific examples of this transformation and their implications. But first, let's examine the rationale for DeFi, and this alternative system that has sprung up in the past few years.

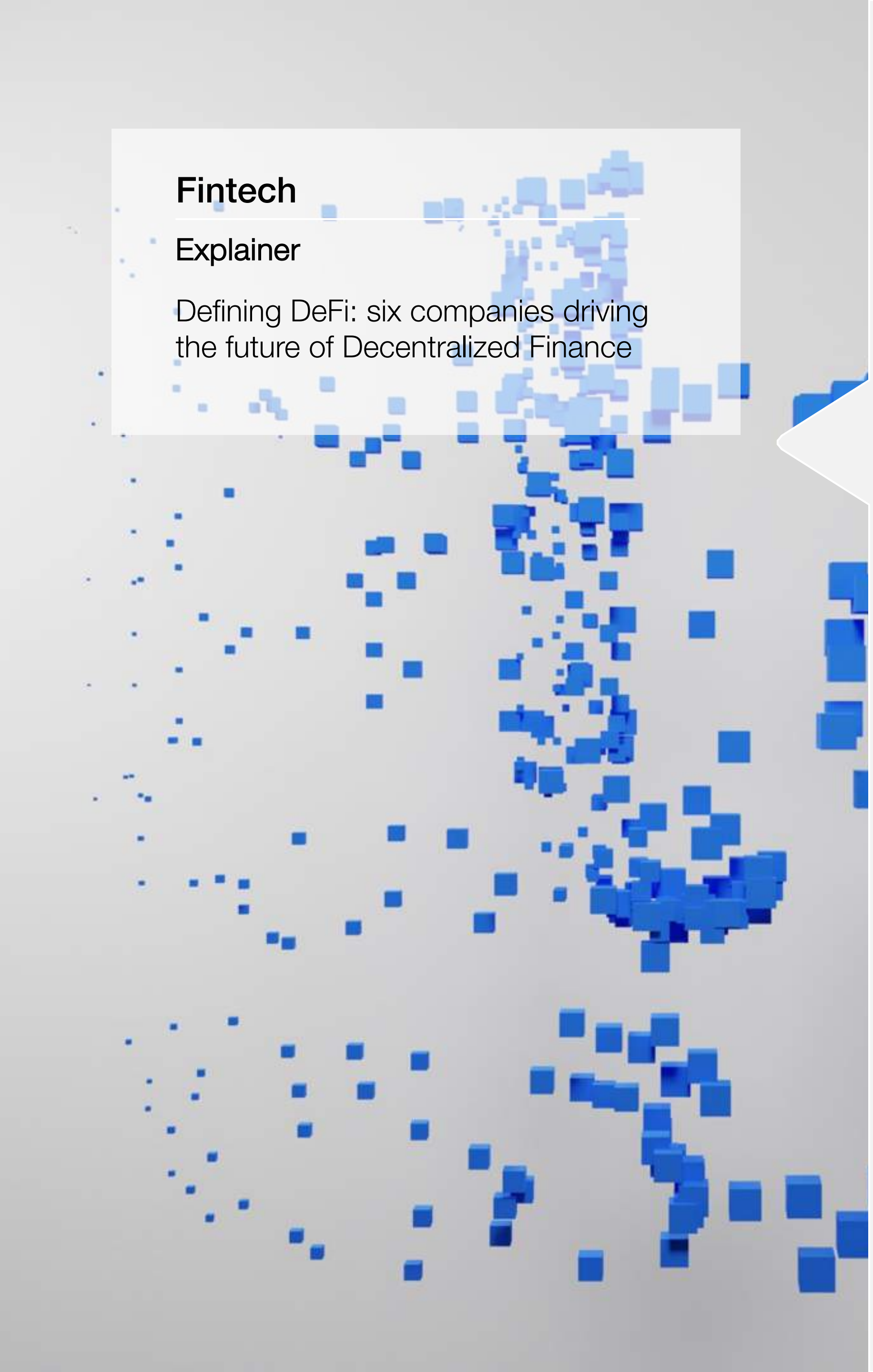
A brief history of crypto protocols

The famous whitepaper of Satoshi Nakamoto that launched Bitcoin is an essay on how to improve payment networks. In other words, the origin story of the whole blockchain revolution is a project to make the financial system work better at a fundamental level.

The Bitcoin network is limited to improving how payments are done. Subsequent variations on the original Bitcoin code have repurposed it to other tasks such as storage (Sia), or social networking (Steemit).

The evolutionary step-change, however, came with the creation of the Ethereum network, which was designed to be a multi-purpose protocol. Amongst other things, Ethereum users could perform any type of value transfer using smart contracts (programmable functions embedded in software) and tokens (exchangeable units of value).

The most famous example of a token is Bitcoin, but tokens in the Web3 realm have a much broader remit, and are closer to shareholder certificates, in that they can entitle the holder to governance rights as well as financial rewards.



Why replace traditional finance?

“Decentralization” is the core concept of DeFi. While more complex than Satoshi’s original vision, the guiding goal of today’s DeFi developers is the same as the one behind his original Bitcoin white paper.

Traditional financial institutions are centralized, in that all customers must transact via a bank or exchange, which will validate and facilitate those transactions and act as a custodian for assets. In a decentralized network, transactions are person-to-person (P2P), and assets are held in fragmented form across multiple computers or nodes rented out by private individuals.

The absence of an intermediary means: 1) lower cost 2) faster speeds. The system is also more reliable as it (in theory) eliminates the potential for human error, and less biased in that services are open to all.

The rise of the dApps

Smart contracts developed for the blockchain that facilitate specific processes are known as decentralized apps (dApps). DeFi dApps map on to the core functions of a bank: Payments, Saving, Borrowing, and Trading.

Escrow is an example of a traditional banking function that can be easily replicated and enhanced as a dApp in the DeFi universe.

When submitting advance payment for a service, the traditional approach requires a third party (such as eBay) to hold on to the funds and decide when to release them. This requires bureaucracy and cost, and also opens the door to human error. eBay also has the power to refuse transactions and block users from the platform.

In a ‘trustless’ escrow scenario, the transaction is intermediated entirely by a smart contract, which releases the funds if and only if the agreed conditions are met.

A sprawling complex of dApps is emerging organically to meet the financial needs of the DeFi community.

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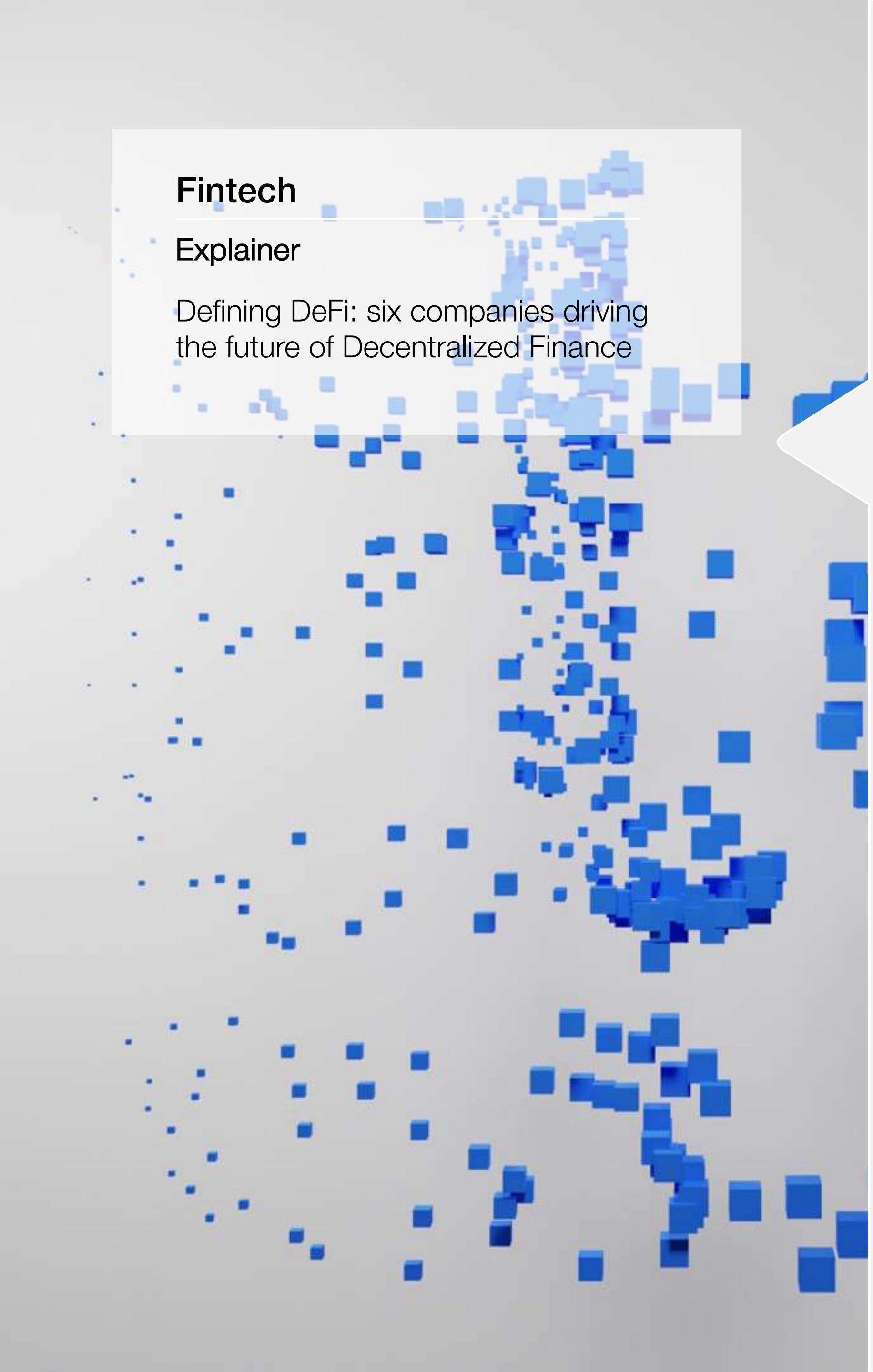
Explainer

Defining DeFi: six companies driving the future of Decentralized Finance



While avoiding many of the drawbacks of traditional finance, it is at an early stage, and also carries its own set of risks.

Risks of DeFi

DeFi is a world without middlemen, or at least with fewer middlemen. Herein lies its attraction and its danger. As it is also a world without established regulation, it is a far more dangerous place than traditional finance for unsophisticated users. The comparison to the Wild West is a well-worn but well-earned cliche.

The largely unregulated status of DeFi makes it a playground for scam artists. Users have no official recourse if defrauded, and the immutability of blockchain-based transactions means that most losses are irreversible. Even without fraud, smart contracts are coded by humans, and human error can never be fully eliminated.

As the technology is typically built by experts for experts, user experience is typically worse than usual in mainstream finance. The preponderance of early-adopters means that the system is primarily designed for sophisticated actors familiar with its complexities, making it less hospitable for regular users.

Returning to the Wild West metaphor, however, this is indicative of early stage evolution rather than a fundamentally flawed or unworkable system. Time and pain will be necessary to see DeFi through to its fully mature state, but the frontier is slowly moving westwards.

Rather than focussing on its deficiencies, it’s worth reflecting on what DeFi has achieved in its relatively short existence. A total of $100 billion in funds is currently contained in DeFi protocols, compared with $100 million in 2017.

You can view the full article here.

Wealth Management

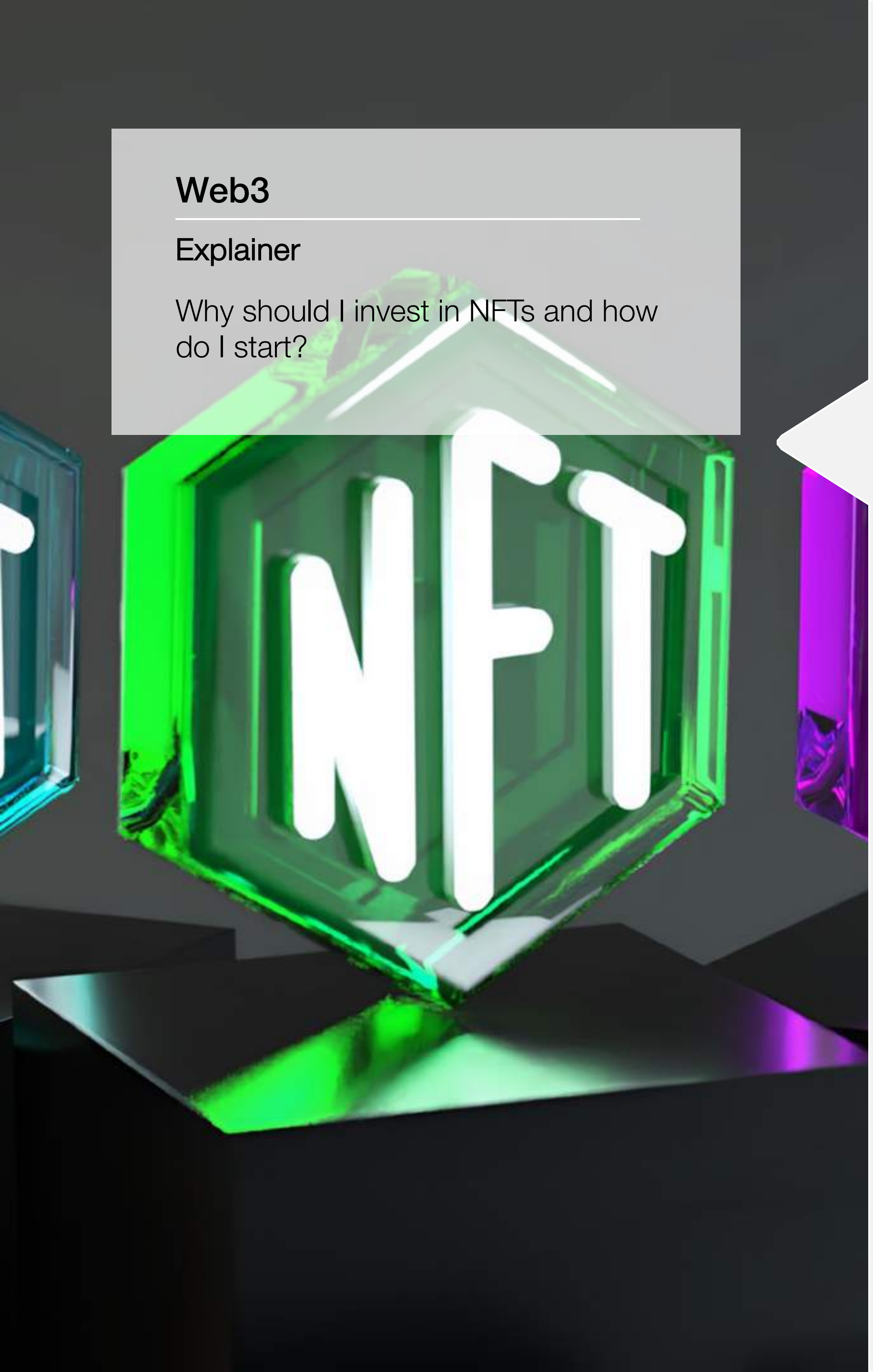
Fintech

Web3

Web3

Explainer

Why should I invest in NFTs and how do I start?



The NFT (Non-Fungible Token) is a rare example of an arcane Web3 concept that has worked its way into the vocabulary of the mainstream. Forbes, Rolling Stone, and the BBC have all published pieces explaining (to a no doubt puzzled readership) what they are.

The attention has a lot to do with the serious financial waves the NFT phenomenon has made in the relatively brief period of time in which it has existed. Total sales of NFTs in 2020 came to just $250m. In 2021, sales in the third quarter alone were $10.7bn.

The question that remains to be answered is: are NFTs 'dead', as many are already predicting, or are they here to stay?

What is an NFT?

Before we get on to the future, let's start with the basics. It's worth recapping the defining features of NFTs, as they are quite a trippy concept, and often misunderstood (including by NFT owners).

An NFT is a smart contract representing **ownership of a unique item**. This can be an item in the real world (such as a concert ticket) or the online world (such as virtual real estate in an online game).

An NFT does **not** represent copyright ownership (which the creator retains) or the right to copy (which in the case of digital assets like jpegs, anyone can still do). It's been compared to owning the only autographed copy of a given creation.

It is also merely a record of the **attributes** of the item, and is not the same thing as the item itself.

(Sorry for all the bold, but misconceptions are many).

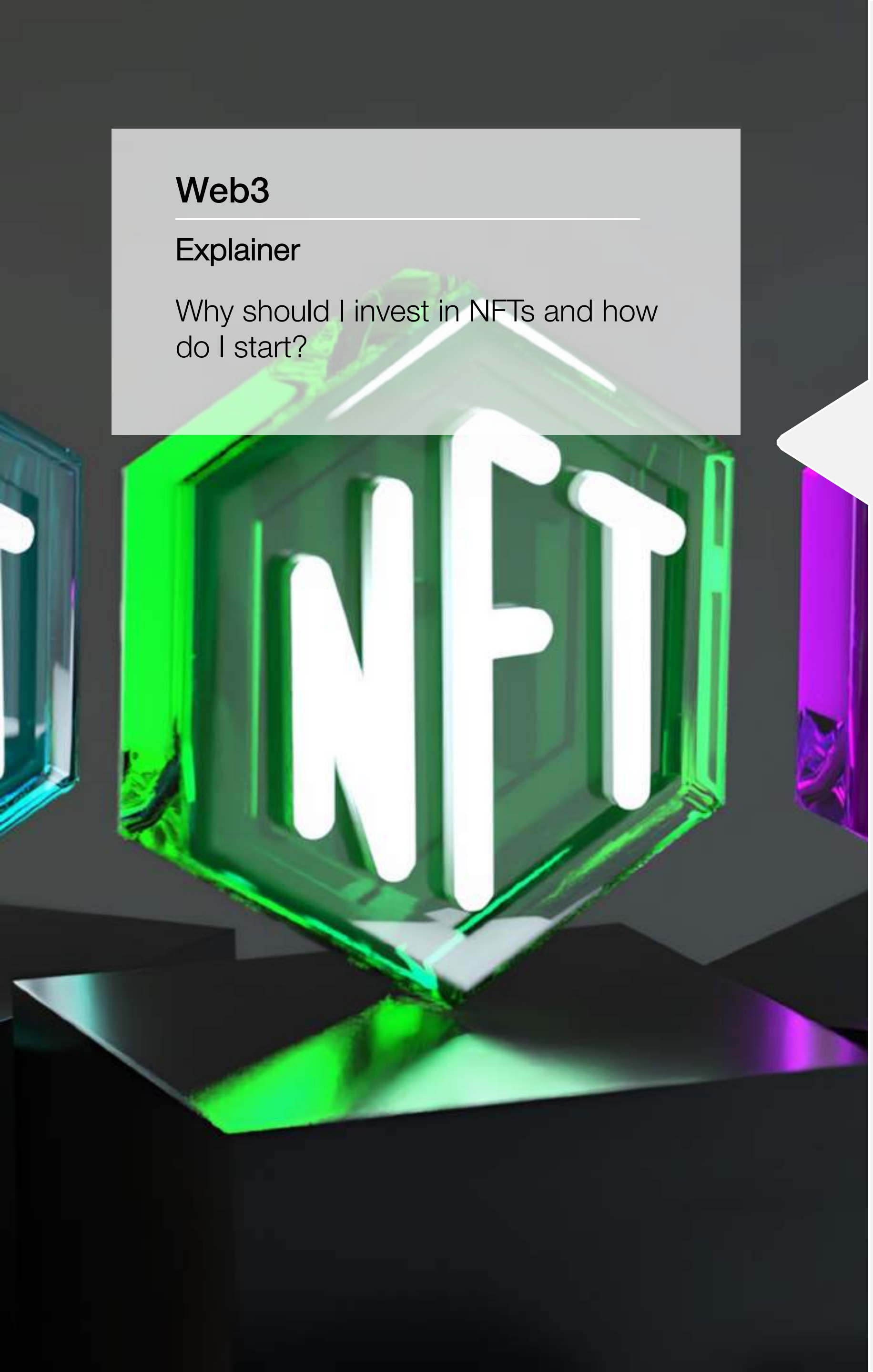
Because an NFT is a smart contract, it is not only immutable (hence ideal for establishing ownership of a digital asset), but also contains a record of all transactions in which it has been involved.

It can also be programmed to pay the original creator every time the ownership of the NFT changes hands, which is a great way of helping digital asset creators to monetize their (highly stealable) work.

Web3

Explainer

Why should I invest in NFTs and how do I start?



The concept originated on the Ethereum blockchain, but is increasingly prevalent on other chains such as Binance and Tron.

Reasons to invest in NFTs

The recent boom in NFTs undoubtedly results as much from irrational exuberance as it does genuine recognition of long-term value. There will likely be numerous booms and busts as the NFT market approaches its future state of equilibrium.

Like most things in the decentralized economy, that future is unclear. This means that there is an opportunity for those who make good investments now, as well as considerable downside for those who make investments in the wrong areas of the NFT marketplace.

So, given that this is the case, why would you choose to invest in NFTs at this uncertain point in the cycle? What would you need to believe, or who would you need to be? Here are some initial ideas.

1. You know the underlying market well: much of the NFT sales volume is linked to artwork, such as the famous Beeple piece auctioned by Christie’s for $69m. If you understand the art world already, you are in a better position to outperform the other market participants.

2. You believe in the underlying individual: Jack Dorsey auctioned an NFT of his first tweet for over $2.9m. This is a collectible item that will likely increase in value for as long as Jack Dorsey remains famous. If history judges him a prime mover in 21st-century history, this value could compound over time.

View the full article here.

Web3

Thought Piece

The state and future of Decentralized Autonomous Organizations (DAOs)

When Wyoming became the first state in the US to recognize CryptoFed DAO as a legal business entity, the Decentralized Autonomous Organization (DAO) moved from an esoteric concept largely confined to the Web3 community into something that merited the attention of the wider world.

In this piece, we'll attempt to give you a working knowledge of the current state of the 'DAO', and some firms that are implementing the idea in novel ways.

The DAO: Past, Present and Future

The philosophy of the crypto-utopian is to replace flawed institutions in the fiat world by building a blockchain-based version from scratch.

Cryptocurrency was not originally conceived as an asset class, but as an alternative payment system. Smart contracts are an attempt to make an incorruptible form of legal governance. Decentralized Finance (DeFi) is combining both to create an entire financial system (loans, deposits, payments, insurance) that is fairer, more reliable, and more efficient than the one that imploded in 2008.

As for the DAO, it is the re-imagined on-chain version of the traditional corporation.

While it was Stan Larimer who created the concept of a DAC (Decentralized Autonomous Corporation), inspired by science fiction novels, it was Vitalik Buterin, the creator of Ethereum, who later rebranded the concept as a 'DAO'.

He defined it simply as "an entity that lives on the Internet and exists autonomously, but also heavily relies on hiring individuals to perform certain tasks that automata itself cannot accomplish." The AI component, he went on to emphasize, must be central, with the human component supporting.

The promise of the DAO is that this configuration should in theory allow a corporation to grow faster and operate more efficiently, absent internal politics or flawed leadership. This stands in sharp contrast to the usual role assigned to AI, which is of a supporting role to a central human mastermind or master group.

So what is the current state of play?

DAO pioneer Ameen Soleimani has joked that many DAOs are little more than ‘group chats with a joint bank account’. As with any hot new thing, people are evidently keen to share in the hype without necessarily understanding what it is. So let’s build on Buterin’s definition, and stipulate in more detail when a DAO is not a DAO.

Decentralized

This is a hallmark of all pure blockchain-based civilizational thinking: the notion that there is no central management committee, and no hierarchy.

To the extent that the human element plays a role, it is when a fragmented group of coin holders spread around the globe exercise their voting rights, contribute capital, or perform other tasks that entitle them to more issued currency.

This however does not mean that any organization that collaborates or makes decisions by ballot is a DAO. To qualify, it must also fulfill the second part of the definition: autonomy.

Autonomous

What is autonomy? It’s not easy to define precisely.

A toaster, for example, is not autonomous. In the process of making toast, it is the human operator who initiates the process, and the toaster is a passive agent.

In an autonomous relationship, the human is the supporter, and the technology is central. It’s easy to find science fiction examples, such as the central AI in the Matrix using humans as zombified power sources.

An example closer to home might be a self-learning algorithm that impinges upon human affairs, such as Alexa. Amazon has refrained from making Alex too autonomous, for obvious legal reasons, but it would be quite easy to encode.

Authoritarian regimes are taking closer steps in this direction with social credit scoring systems

Web3

Thought Piece

The state and future of Decentralized Autonomous Organizations (DAOs)

that encode state orthodoxy, and autonomous restrict the movement of citizens based on their actions and those of their associates.

DAOs that you should know about

In the most fully realized form of the cryptopian ideal, all companies would eventually become DAOs. It's been suggested that news aggregation, advertising, patents, copyrighting, voting certification, and next-generation search engines are all near-term candidates for the DAO model.

However, this currently looks a long way in the future, with the concept still struggling to prove itself since the original demise of venture fund "The DAO" in 2016.

Aside from the pseudo-DAO organizations that are in reality communities of crypto-investors who like to share resources and decisions, there are a growing number of genuine DAOs that are starting to gain traction.

Here are six that have caught our eye, with many more aspirants and doubtless many more coming.

Read the full article here.

Web3

Explainer

What is a Polkadot Parachain?

Parachains represent the dawning of a new age in crypto. By solving the dreaded 'blockchain trilemma,' they create a playing field in which everyone can win.

What is a trilemma, exactly?

Here's one that we're all familiar with: when you are choosing a career, you typically have to pick two of the following three options: 1) well-paid, 2) legal, 3) interesting.

For example:

- **Well-paid, Legal:** Accountant
- **Legal, Interesting:** Artist
- **Well-paid, Interesting:** Pirate

A career in crypto is (for now - fingers crossed) a way to break this trilemma, as you have all three benefits at once.

The blockchain trilemma, on the other hand, was until recently seen as unbreakable. In this case, the three items are 1) speed, 2) security, 3) decentralization.

Everyone wants speed and security. Decentralization is important because it's what crypto is supposed to be all about: transferring power from billionaires, banks, and bureaucrats to us, the users.

With Polkadot, we can finally have all three at the same time, without compromise.

That's not just a minor improvement—it's a game-changer! Let's explore why.

What is Polkadot?

Let's start with the basics. A blockchain (or 'chain') is a network for exchanging things. Different chains focus on different things.

What is a Polkadot Parachain?

The Bitcoin chain was built to exchange Bitcoin. The Ethereum network allowed you to define the exchange more precisely. You could go beyond sending into lending, saving, and even insurance.

And the chains keep coming!

Each one is trying to improve something. Because the speed of transactions tends to decrease when a network gets popular, speed is a particular area of focus.

There are two problems, though: all blockchains are in some way subject to the trilemma (see above), and they are also disconnected from each other, making it difficult for users to move between them.

This has led naturally to a competition to find the ‘one chain to rule them all.’

Only it’s less LOTR and more GoT, with a lot of chains trying to 'kill' each other. The Iron Throne provides seating for one!

But hang on, doesn’t that sound a little...centralized? Isn’t diversity a good thing? Isn’t specialization more efficient? Do all chains but one really have to die?

Yes, yes, yes, and no.

That’s the opinion of Gavin Wood and the Web3 Foundation. They created Polkadot as a peaceful resolution to the blockchain trilemma and LOTR conundrum.

So how did they do it?

They realized that what is needed is a chain that does not kill, but connects. This is where the name Polkadot comes from—it connects the dots!

This has been compared to the invention of the internet. And that’s not really an exaggeration.

Previously, computers existed as devices in people’s garages, or small networks in offices. The internet

Web3

Explainer

What is a Polkadot Parachain?

joined them all together.

Think about how the internet has affected society, business, and culture, and you will see why Polkadot is an idea that is worth taking seriously. But there's more.

Users of the Polkadot network enjoy significantly faster speeds. Ethereum currently processes 13 transactions per second. When fully rolled out, Polkadot expects to process over 1 million per second.

The Polkadot Parachain is the innovation that makes it all work.

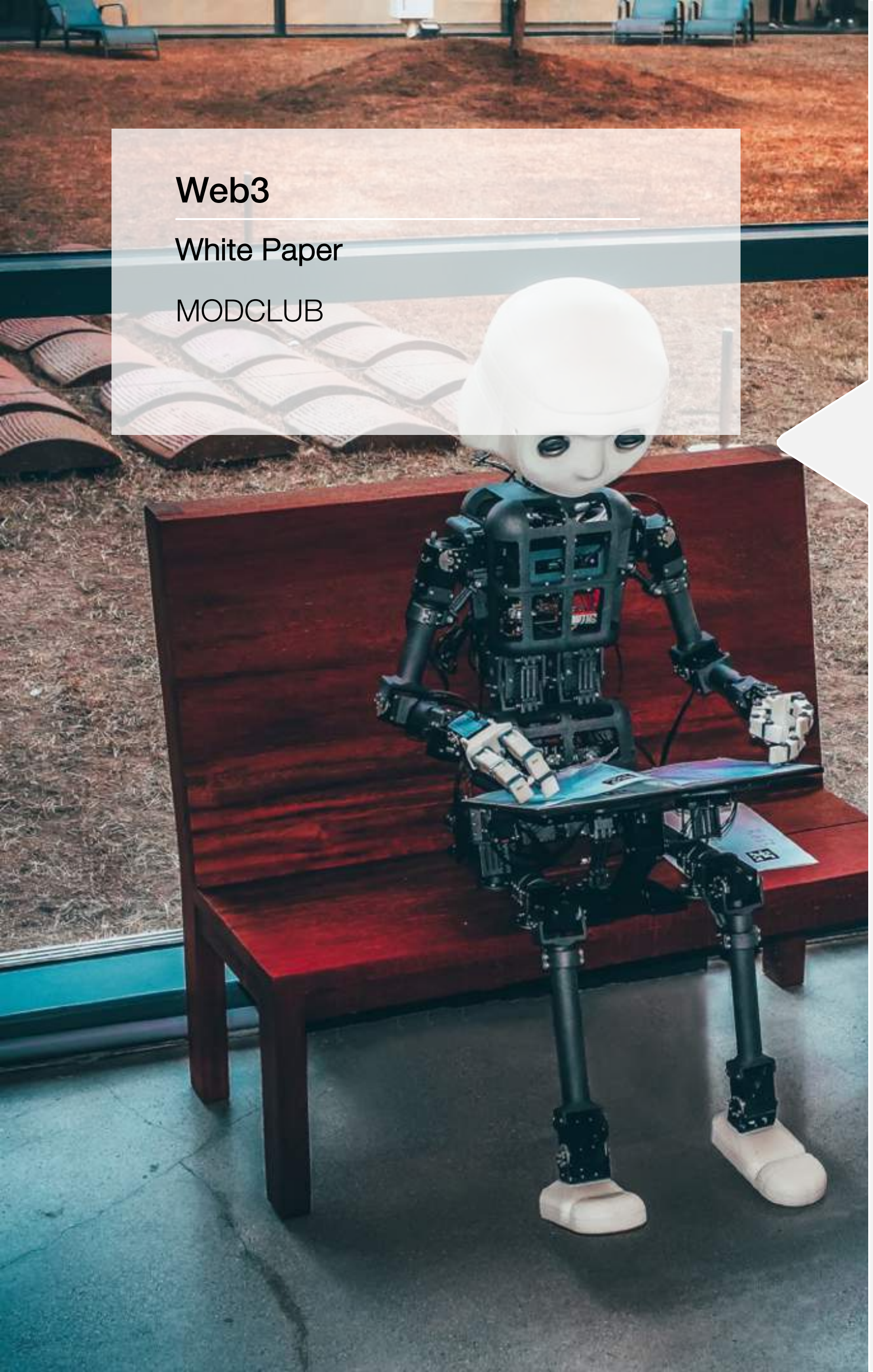
Polkadot Parachains: A Simple Guide

There are lots of technical ways to explain a Parachain, involving terms like Collators, Parallel Processing, and Canary Networks. If you're not planning to become a full-time cryptographer, don't worry—we're not going to use any of those terms.

A good analogy is a shopping mall. As a shopkeeper, I can rent one of the limited spaces available in the building. The small owner takes care of overheads like utilities and provides security.

I can do whatever I want with the space I've rented. It's also convenient for customers, who can walk a short distance from the clothing store to my hardware store and take care of all their needs in one trip.

Read the full article here.



Executive Summary

Problem:

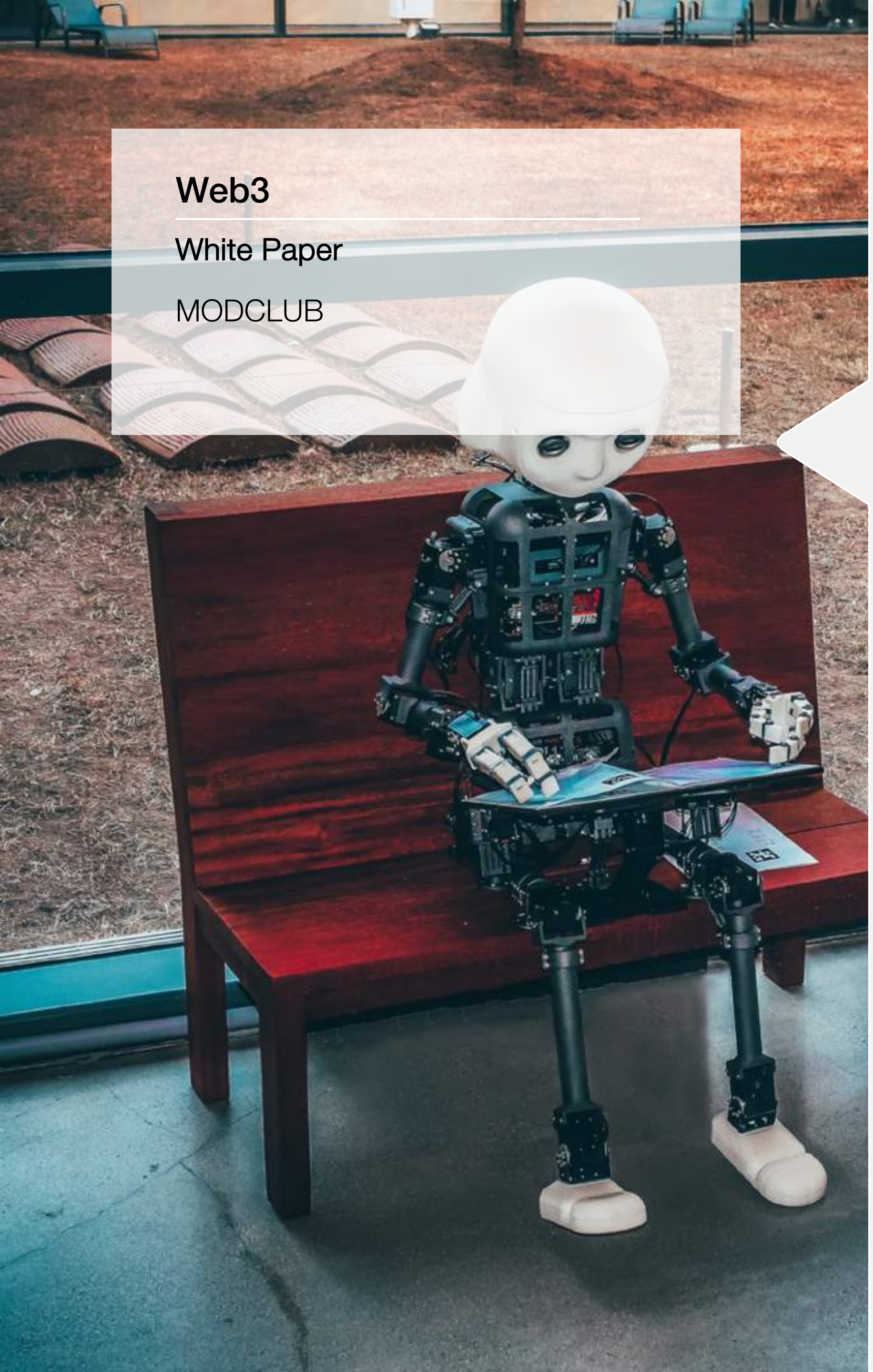
- Moderation is a service that many applications require, but is time-consuming to perform and costly, as it requires human input.
- Identifying and eliminating fake accounts is a large part of the moderation burden, as the majority of malicious content results from systematic activity by bot farmers.
- Often the task of moderation is given to platform users, whose experience and ability to enjoy the platform is inhibited as a result.
- It is a problem for both young projects (who lack time and money) and established teams, who must deal with an increasing number of genuine content and malicious activity.

Solution:

- MODCLUB provides a Moderation-as-a-Service (MaaS) solution to applications on the Internet Computer, including Proof of Humanity (POH) to address the fake account issue.
- Moderators can earn rewards, and Developers can control and review how their content is vetted, at a cost far lower than doing it themselves.
- The Proof of Humanity (POH) process is a flexible, innovative system that is necessary to counter the bot-friendly Web3 environment.

The Future:

- The core MODCLUB model consists of a strong foundational network of developer clients and user-moderators.
- Once established, the potential exists to expand to offering adjacent forms of content moderation beyond UGC.
- POH is a service that also lends itself to 3rd party use, such as KYC and AML, as its modular format allows the verification process to be customized to the needs of the verifying institution.



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White Paper

MODCLUB

Story of MODCLUB

The blockchain revolution is an exciting time to be living through. An age of freedom and accountability, liberty and democracy, is emerging from the realm of code.

But we can't just sit back and watch it happen. We need to make it happen.

The launch of DFINITY, the home of "Blockchain 3.0" and the Internet Computer (IC), created a space for a new generation of decentralized applications, launched by developers who want to build this new future.

We also saw a way that we could contribute, by developing a solution that would help developers focus on their product, and make the IC a platform where Web3 citizens could work, create, and socialize. This solution evolved from an initial idea to become MODCLUB.

We've already had many great conversations with developers and entrepreneurs, all of whom are looking to solve the content moderation issue.

Welcome to the Club!

See the full white paper here (note: contents may have changed since January 2022).

Web3

Profile

Non-Profit to DAO: A Tale of Two Transformations

Despite rapid growth in adoption of the model, DAOs have attracted a fair amount of skepticism. The best counter-argument to skepticism is proven success.

DreamDAO and Gitcoin illustrate that the DAO model is a more than viable alternative to the traditional non-profit structure. It may well prove to be more effective when it comes to coordinating individuals for social impact.

Both DreamDAO and Gitcoin originated as “spin-offs” from traditional organizations. The story of their respective journeys provides inspiration for similar social projects looking to unlock their potential with the power of web3.

This article is based on two full-length interviews with DAO leaders: Kris of Gitcoin and Madison of DreamDAO. These interviews include deeper insights and fascinating factoids. So be sure to check them out on Crypto Good, our project initiator’s Substack.

Basics

DreamDAO was founded in late 2021. Its mission is to help Gen-Z leaders use crypto to solve society’s problems. The DAO grew out of a non-profit called Civics Unplugged, which it still collaborates with.

DreamDAO funds its operations through a mixture of membership NFTs, grants and some merch. Because of the central role of young members, the target governance model is merit-based rather than token-weighted (i.e. not dependent on how much money you have spent).

Gitcoin began the transition to DAO status in 2021. The project was originally formed in 2017, with the simple yet ambitious goal of funding the development of the internet’s future. It is one of the biggest DAOs to date, with over 150 core contributors and many more operating part-time (for the full breakdown - read the interview).

The Gitcoin funding mechanism is straightforward, consisting entirely of the native GTC token. GTC was distributed initially via airdrop and subsequently acquired value in the marketplace as the project gained prominence.

Structures

The importance of organizational structure is a recurring feature in these two conversations. The idea of a DAO as 'structureless' - where no one has any titles and somehow things just get done - is not in evidence.

So what are the structures they use?

DreamDAO has a simple distinction between two groups. Builders are the younger members who are there to learn 'how to web3', on the way to establishing their own projects. Champions are the more experienced members who play the role of mentor to the Builders.

(To become a Champion, you must purchase an NFT, whereupon a corresponding NFT is minted and given to a new Builder. Nice.)

Gitcoin's structure is more concentric with members naturally falling into different rings (outer/inner) depending on how much time they can give and what contribution they can make.

The outer ring consists of 'Citizens', who are members of the Discord and can listen to conversations. The inner ring consists of 'Contributors', who are divided into 'Part-time' and 'Full-time'. The greater your contribution, the more granular your access and the greater your ability to participate.

Simplicity

One of Kris' golden rules is to constantly ask the question 'What does this solve?'

This mental razor, combined with tightly-defined mission, prevents Gitcoin DAO's structure from becoming convoluted and its tech stack from becoming bloated. The word 'no', or a rejected proposal, often turns out to be a positive thing for the group as a whole.

Madison concurs with the minimalist approach, particularly in the early stages, and particularly with regard to tech. As she puts it, "It doesn't make sense to do a lot of tooling if you don't have a foundation for your DAO".

Simplicity may also mean being more selective, for example, by not targeting aggressive member growth. “A lot of DAOs start off big because they just blindly follow the metric of how many people are in the DAO,” Madison says. “You have much lighter touch points with each individual and you might not actually be able to have a deeper, more profound impact.”

Similarly, within the DAO itself, limiting numbers can be helpful. Gitcoin restricts some internal meetings to two persons max. “It rubs some people the wrong way because they think this is very exclusionary,” Kris says. “Yes, it is, and that's because we need to make decisions!”

Just like the myth of structurelessness, the success of a DAO may turn out to depend on well thought-out rules and limitations. Freedom from pointless bureaucracy does not necessarily equal lawless chaos.

Conclusion

DreamDAO and Gitcoin are at very different stages of development - one newborn, the other nearly six years old. But the two aspects emphasized above - structure and simplicity - are strong points of similarity, suggesting they are important for survival.

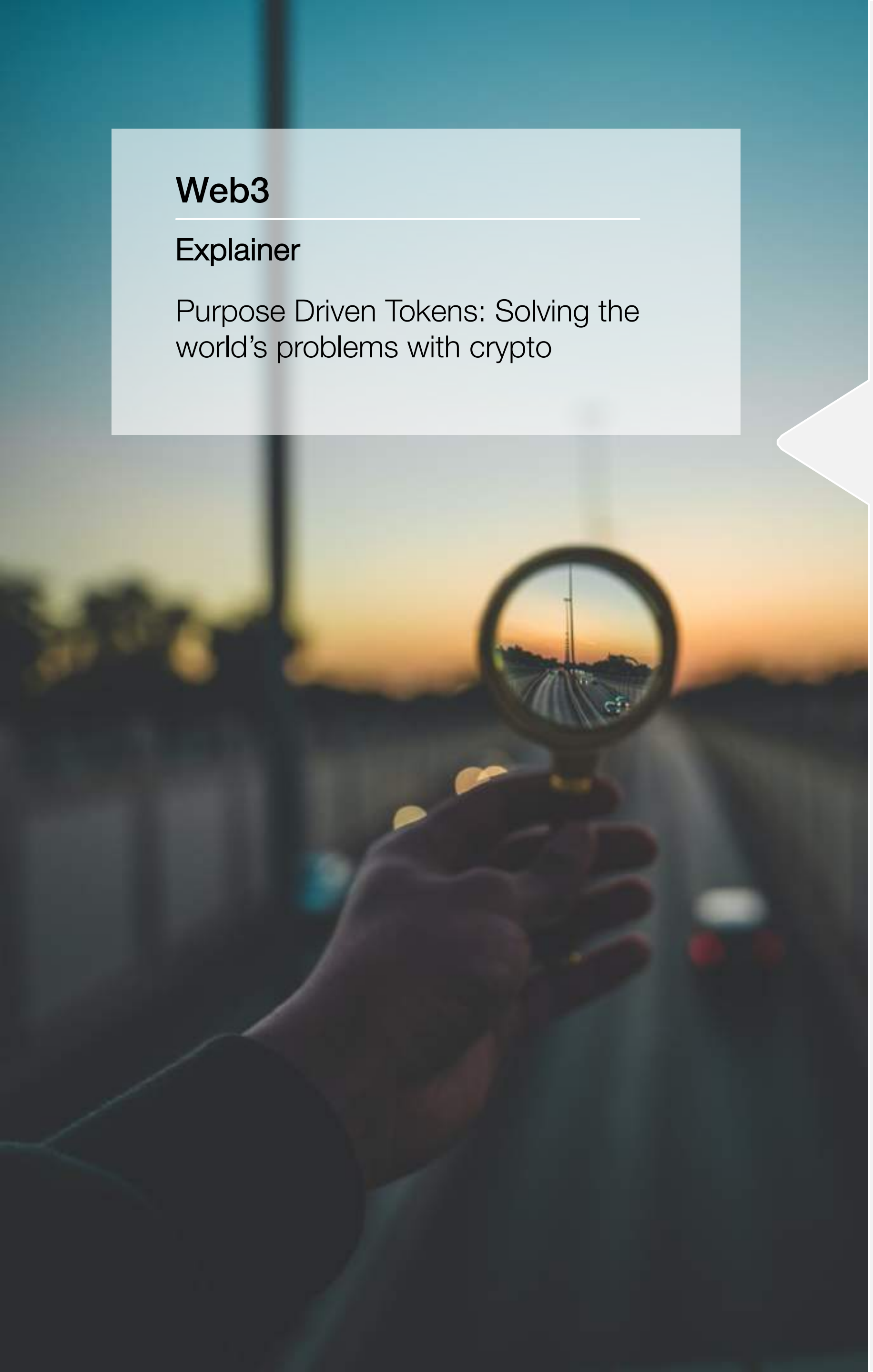
If there is a third point that comes through from listening to the leaders, it is openness to new ideas.

Gitcoin, for example, has no problem with using formal approaches to holding meetings (outcomes, next steps, action items) that others might describe as ‘corporate’. Similarly, DreamDAO is founded on the motto ‘Kids will lead’. In other words, experience isn’t everything - sometimes the mentee will enlighten the mentor.

A secret weapon of the DAO appears to be the constant ability to evolve. Of course, this also comes with an imperative to evolve. Evolution does not just happen by itself, but is a conscious process (like “active listening”) that requires thought and effort.

Whatever iteration of the internet we are in, there is no easy path to success. But this path seems certainly more exciting.

See the original article on BanklessDAO here.



Web3

Explainer

Purpose Driven Tokens: Solving the world’s problems with crypto

The meme “Bitcoin fixes everything” was never intended to be taken seriously. But many people believe that the wider set of blockchain applications (also known as Web3) can fix – if not everything – some fairly major problems that have so far proved intractable.

The hyper-evolution of Web3

Web3 has evolved fast. In the early days of blockchain innovation, the conversation focused almost exclusively on price movements among the main cryptocurrencies. When smart contracts were added to the mix, the conversation moved to the potential of decentralized finance (DeFi).

Then came NFTs, adding digital property to digital currency, which created the potential for play-to-earn gaming (P2E). Combine P2E with VR, and you have the possibility of self-sustaining metaverse-based economies.

But it’s arguable that the most interesting applications of blockchain are those that have a direct impact on what we might still refer to as the ‘real world’, or physical reality. Compared to other applications, these are still largely unexplored and under-discussed.

Definition: Purpose-driven tokens

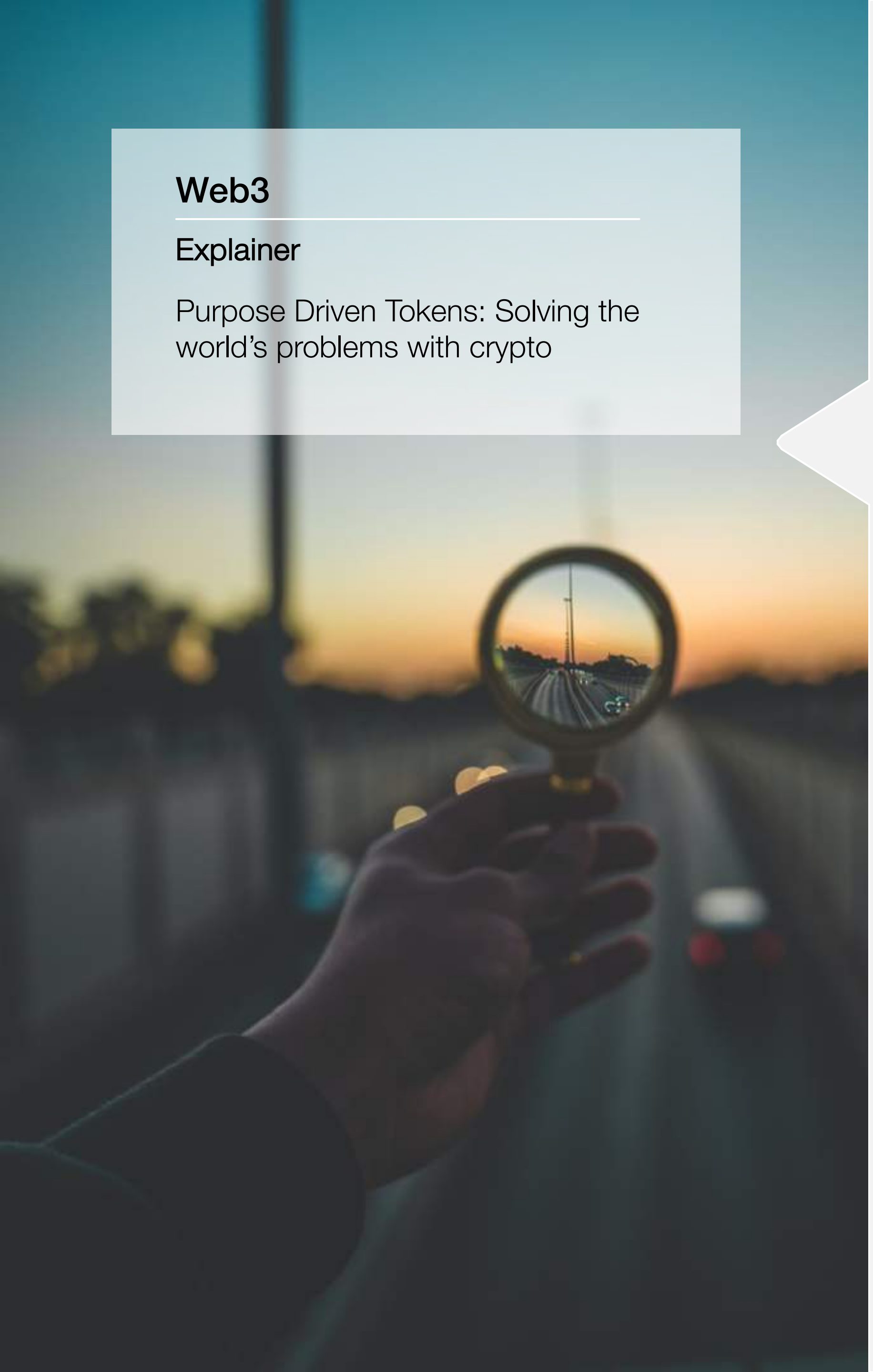
The purpose of many cryptographic tokens is simply to appreciate in value. This value is created by a combination of utility, meme power, and underlying cashflows.

The ultimate objective of a purpose-driven token goes beyond the individual to further the achievement of an external good, bringing benefit to a large number of people.

Shermin Voshmgir, who devotes a chapter of her book Token Economy to the topic, gives the following definition:

“Purpose-driven tokens incentivize individual behavior to contribute to a collective goal.”

The idea of aligning individual incentives with a public good is itself not new.



Systems such as "cap and trade" create an economic rationale for profit-seeking enterprises to limit carbon emissions, for instance.

A token-based solution, however, is a way of implementing the idea with all the unique benefits afforded by blockchain technology: speed, security, and minimal bureaucracy (or decentralization, to use the Web3 term).

Real-life applications of purpose-driven tokens

We don't have to theorize excessively about the form that purpose-driven tokens might take, as there are already a good number of examples out there. Let's look at a few of them.

Helium

Sean Carey (one of the co-founders of Napster) had a vision in 2013 for a wireless internet network built on the same "two-sided market" principles as Airbnb. What problem was this supposed to solve exactly?

Despite the fact that 75 billion IoT devices are due to come online by 2025, connecting so many devices to standard wireless networks has turned out to be prohibitively expensive for IoT companies. Furthermore, setting up an affordable, low-bandwidth network to serve IoT devices exclusively did not make economic sense for a potential infrastructure provider.

The Helium network allows individuals (as in private citizens like you and me) to generate hotspots using special equipment and receive HNT tokens as a reward. The more data is transferred, the more tokens you receive. Other members of the network are also rewarded for validating that your coverage is genuine. Users of the wireless network (e.g. IoT companies) purchase and 'burn' HNT tokens to gain access to the network.

As of the time of writing, the Helium network has grown to 766,435 hotspots, and there are 117,730,230 HNT in circulation. The underlying company (which has changed its name to Nova Labs) is valued at $1.2bn. Quite good going, for an idea many would have dismissed as unworkable.

Purpose Driven Tokens: Solving the world's problems with crypto

Medibloc

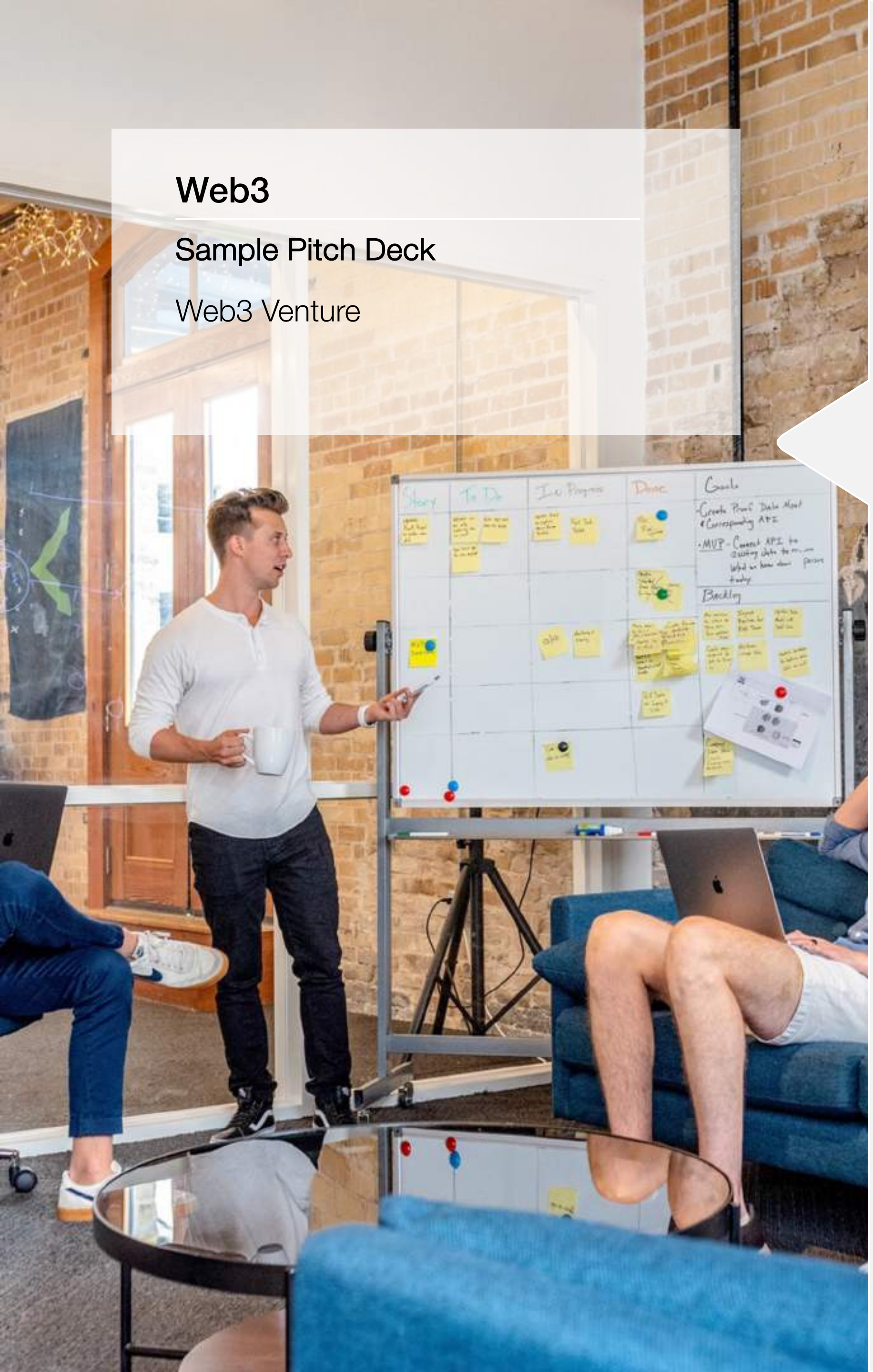
According to its mission statement, the Korean startup Medibloc aims to improve healthcare access by "accelerating the world's shift to private information decentralization". Why do we need decentralization of private medical data?

Private medical data is valuable to fraudsters, and an individual's records can fetch up to $250 on the black market (compared to just $5 for debit card details). Combatting this growing threat by making the information hard to get hold of can also make it hard for both patients and healthcare providers to access the information when it is most needed. This leaves both groups in between a rock and a hard place.

Medibloc makes it possible for patients to retain control of their data, which is stored securely on-chain and released to providers (e.g. for routine medical treatment) only with their approval. How does it obtain the data? By rewarding both patients and providers who contribute information with MED tokens, which can then be spent again when data is required.

MED tokens obviously have value to medical providers (who are constantly in need of patient data), and can also be used by patients to pay for medicine and procedures. The scheme is globally interoperable, so there is no need to fill out Kafkaesque intake forms either at home or abroad. A neat solution to a genuine problem.

Read the full article here.



Web3

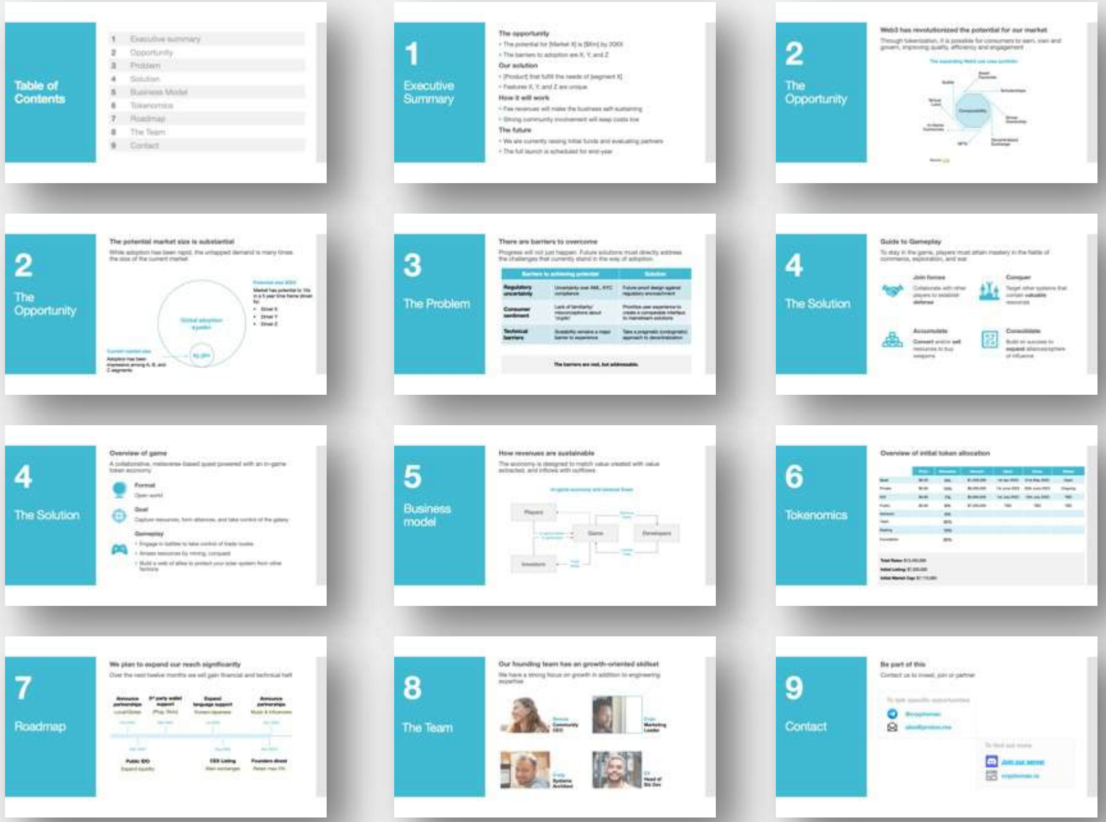
Sample Pitch Deck

Web3 Venture

This sample deck is intended to give an illustrative view of various components of an investor-oriented presentation.

The final deliverable for a given project or firm depends on the goals of the team.

View the pdf version here.



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