

# M1 Finance: Graphic Personalized Portfolio for Do-it-yourself Investors



M1 Finance is an automated investing platform providing highly customizable strategy management with a great digital interface for free.

**Site:** [www.m1finance.com](http://www.m1finance.com)

**Established:** 2016

**Value proposition:** Provider of online and automated brokerage that allows you to build and customize a personalized investment portfolio and then automate it for free.

**The executive team:** [Brian Barnes](#), Founder and CEO  
[Josh Symonds](#), Chief Information Security Officer  
[Michael Savino](#), VP of Investments and Operations  
[Steven Gall](#), VP of Engineering  
[Ryan Spradlin](#), VP of Product

M1 Finance is a platform for automated investment management. It follows a similar model to an online brokerage, where you can pick your investments by building a portfolio without actually placing trades. Once the portfolio is built, it acts like a savings account while the money intelligently flows into that custom portfolio.

We met with Brian Barnes, CEO and founder of M1 Finance, for a cup of coffee in his renovated loft office in the old center of Chicago. During our conversation, we discussed the most definitive trends in the industry, and his project.



Brian is rather young, but is well informed about the industry. This is because he started his investment path at a very early age, majored in economics and math at Stanford University, and was a management consultant prior to starting M1 Finance. Leveraging his own investment experience, he created M1 Finance as a platform that aims to drive investment management closer to customers by providing a great user experience and reducing excessive paperwork. The idea of M1 Finance is based on using a digital interface to manage funds:

[“It’s going to be a robust capability that provides a broader feature-set than what is available interacting with a human, and I think it’s \[going to\] be lower cost.”](#)

With this digital-first model in mind, he has spent the last two years building a platform that has re-imagined how investors consume and build their portfolios.

## **Focus on clients**

The primary client of the platform, according to Brian, is anyone who has some interest in investing:

[“It’s people who have a perspective about what they want to invest and want to systematically add to it over time.”](#)

On average, M1 Finance’s clients have \$10,000 of assets on management and two-thirds of users are new to the platform. Brian says:

[“The average account balance after six months on the platform gets up to like \\$25,000. \[...\] I think the better statistic is for every month you’re on the platform the average account balance goes up by over \\$1,000.”](#)

The platform is 100% free for its users. Currently, M1 Finance monetizes in three ways:

- back-end revenue streams (making money on the cash that people hold in their accounts);

- securities lending; and
- transacting on exchanges and payment for order flow.

## “Slice and dice” portfolio management

Brian criticizes a typical robo-advisory model by saying that it is helpful but still a “[very basic, rudimentary asset-allocation, risk-tolerance model.](#)” In turn, M1 Finance allows clients to decide by themselves what they want to invest in and do it without hassle and at an efficient cost, breaking down what share of their portfolio will be in various investments and categorizing and organizing investments in a pretty intuitive way:

“[We’ve designed the system around model portfolios. We call them pies because they’re represented as pie charts. So you’re basically segmenting what share of your portfolio you want to go into various investments.](#)”

M1 Finance is percentage-based. The user just needs to deposit money and it will be segmented according to their percentage calculation. In addition, once that percentage has been set up, the M1 Finance system adapts to how the slice is performing relative to the user’s target. So, if the 10% slice is underperforming and it only represents 8% of the user’s portfolio, the next time they deposit money it is going to go into that slice to bring it up to its target. Brian calls that mechanism ongoing dynamic rebalancing:

“[If you deposit more, it basically surveys \[where\] in your portfolio it can be best used and applies it, penny by penny, to efficiently rebalance your portfolio. \[...\] That pie structure is how people build the portfolio, and we have a big catalog of these expert-generated pies available.](#)”



In addition to following the strategies of famous investors, the pie-chart structure allows users to fine-tune each slice with respect to risk tolerance, from ultra-conservative to ultra-aggressive and every gradation in between. M1 Finance also has a target-date allocation feature, which adjusts and gets more conservative as the retirement date approaches.

Users can also directly invest in a specific industry:

“So you can say, ‘I want to actually own the auto companies,’ and you’d own the underlying securities rather than the ETF.”

In answer to my question about passive and active management, Brian says M1 Finance is passive in terms of management, but does get into the active selection of choosing investments.

“I guess M1 goes beyond what passive in the purest sense is. We allow for active selection. If you go to active management, to the extreme of it, tons of trading, short-term investments, [and] event-driven stuff, rather than long-term ownership for investing—that’s not what M1 is.”

## Keeping away from advisory services

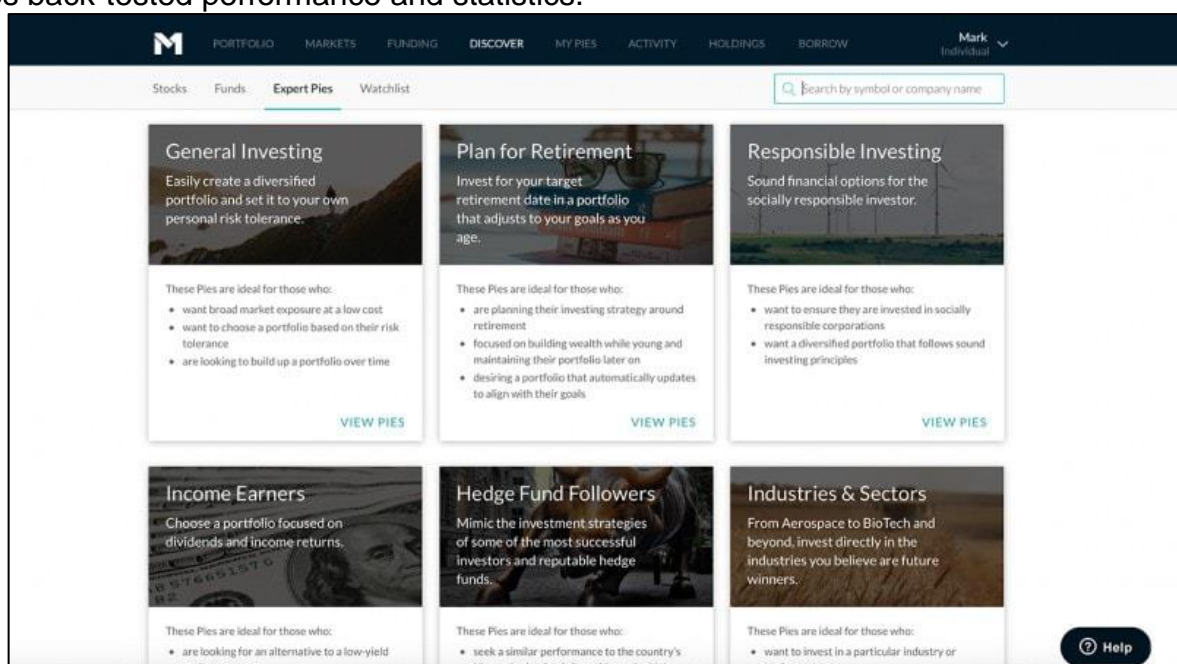
The platform provides no automatic rebalancing, which gives clients more flexibility and control over the risk or exposure to a certain investment or asset class. Among the reasons for this solution, he singles out regulations regarding self-directed platforms and benefits for users:

“We don’t actively go in and rebalance. If you deposit more money, we do allocate that towards where it can be best used. However, a user can go in at any given time and click a rebalance button.”

Another reason is that M1 Finance is a fully customizable portfolio-management system, rather than an advisory model. The platform is positioned as “next-gen online brokerage,” providing a more convenient, more intuitive, less costly, and better-designed service:

“I think a broker-dealer has substantially more regulations than an investment advisor. Still, we stay clear of providing investment advice. We can provide guidance and education in these pre-populated portfolios, but everyone is making their own investment decisions on M1’s platform.”

By the same token, M1 Finance gets all the information, such as risk assessments, only from a know-your-customer perspective. For the risk-tolerance-level evaluation, the platform uses back-tested performance and statistics.





## Team structure and tech stack

According to Brian, the team consists of approximately 20 people—half of whom are engineers. In their processes management, they use agile practices, a **Kanban** board, and swimlanes (although with some specific modifications). Notably, they have a very quick iteration cycle and are pushing every single day. In addition, they have a lot of security procedures in place so that things cannot get pushed to production without a lot of oversight and rigorous testing.

Regarding the tech stack, the team uses **Scala** as a primary language and utilizes the **Akka** framework. Previously they used Java, but, Brian says, the back-end lead felt like Scala was the most appropriate choice for the project because it is a “[quick programming language that sort of fit\[s\] the domain that we’re in.](#)” The main database is **PostgreSQL**, but to construct the pie structure they chose the **Neo4J** graph database because it lends itself to that use. For the client’s API layer, they use **GraphQL**:

“[GraphQL does a fantastic job of abstracting away how the back-end is built from the clients. I think it allows for a great user experience and very quick development across the board.](#)”

The M1 Finance web app is built on **React** and the native mobile apps for Android and iOS are written in **Java** and **Swift**, respectively.

## The next steps of M1 Finance

Brian confesses that identifying the new features that should be a priority is both an art and a science:

“[We go back and forth between user-requested features and M1’s vision of what needs to be built over the next several years to create a truly unique personal-finance platform.](#)”

M1 Finance wants to be both a checking account and a brokerage account. In the long term, they want to provide robust services in several areas, as follows:

- Any excess money should be automatically (and without cost) swept into a portfolio of investments that the user wants;
- Users should be able to effortlessly sweep back into cash when they need it (direct deposit, bill payments, debit card issuance, and so on);
- Clients should be offered a line of credit to borrow at extremely attractive interest rates and use a portfolio as collateral.

In the short term, they strive to continuously integrate a clearer, more intuitive service by relying on user feedback from their Reddit community, including user surveys, qualitative studies, and usage patterns.

## Day-to-day challenges

Among the toughest challenges for the platform right now, Brian mentions user acquisition in a competitive market:

“[Breaking through the noise of other products is tough. There’s a lot of well-funded people out there, banging the drums on how great they are.](#)”

Despite this, M1 Finance has grown incredibly fast. They are around a year-and-a-half old, but have over 100,000 clients already. That being said, they have serious plans to become the next great platform:

“In some sense, we feel like we’re a much better platform than Fidelity, so we think we should have all 27 million of their customers or whatever that number is. Similar with Ameritrade, you know they have 11 million customers—we think they should all be on M1.”

How will they stand in line with the giants? Brian says they will do this by being strongly focused on the end customer and continuing to build a better investment platform:

“That gives them comfort that they don’t continually have to push the boundaries to enhance the user experience, and that’s where we’ll win.”

## Takeaways

M1 Finance is a great tool for everyone who wants to utilize the power of investment to its fullest. Brian and his team put in their best efforts into making fractional investment easier and cheaper by integrating a great UI and new, extremely useful features. They push back against under-utilizing capital and create opportunities for seamless profit making. These merits will enable them to come up with the great investment platforms of our time.



Written by Vasyl Soloshchuk, CEO and co-owner at [INSART](#), FinTech & Java engineering company. Vasyl is also the author of [WealthTech Club](#), which conducts research into Fortune and Startup Robo-advisor and Wealth Management companies in terms of the technology ecosystem.