

# GuidedChoice: Nobel Prize Winning Portfolio-Management Software



- Site:** [guidedchoice.com](http://guidedchoice.com)
- Established:** 1999
- Value proposition:** Provider of portfolio- and goal-based management tools for efficient retirement planning.
- The executive team:** [Sherrie Grabot](#), Founder and CEO  
Harry Markowitz, Chief Architect and Cofounder  
[Louis Van Zijl](#), President and Chief Operating Officer  
[Tracy Julien](#), VP of Marketing  
[Thomas M. Anichini](#), Chief Investment Strategist  
[Jerry Yen](#), VP, Strategic Partnerships

GuidedChoice is a one-of-a-kind platform that aims to give mainstream Americans financial freedom. Through its intuitive user interface, GuidedChoice helps people discern how, where, and when to save for various goals, as well as offering tools to enable them to do so efficiently. Through the years, GuidedChoice has successfully been able to engage people in creating a more secure retirement by helping workers save more, invest smarter and overall, make better, more informed decisions for their future. For the past nearly 20 years, GuidedChoice has supported employee benefit programs such as 401(k), 403(b), 457, Stock Option plans, ESPP, IRAs and HSAs. More recently, the company has been helping



individuals outside employer plans as well, both to and through retirement. Notably, the analytics on the investment side are brought by Dr. Harry Markowitz, a recipient of the 1989 John von Neumann Theory Prize and the 1990 Nobel Memorial Prize in Economic Sciences and his handpicked team of experts that form the Investment Committee.

I traveled to San Diego to meet Sherrie Grabot, founder and CEO at GuidedChoice, to find out more about the company. Previously, she developed technology systems for 401(k) plans at Apple, T. Rowe Price, and Trust Company of the West. Since then, she's focused on retirement plans and employee benefit programs. Sherrie is intelligent and easy-going, so we had rather a captivating talk about the company's organization, modern trends in wealth management, and the peculiarities of retirement investment.



## The concept

The mission of the company is to bring people financial freedom. For some that means traditional retirement, whereas others save money to be able to get out of debt. The only thing that unites them is not knowing what to do. GuidedChoice combines B2B and B2C models to serve both individuals and people outside of an employer sponsored plan.

“Most people are not comfortable with financial planners, because they don't know who to trust, which is why the majority of Americans don't have an advisor. [...] We want to get people to their financial destinations safely. Our objective is to help the rank and file, the little guys. And it's an inexpensive way for them to get world-class, quality advice developed by a team of experts.”

## Key differentiators

The robo-advisors of today are fairly simplistic in their overall technology and approach. Integrating with the legacy is where the challenge lies. GuidedChoice is pursuing a very different approach. They've integrated with the legacy from the beginning, so people who have multiple types of financial employee benefits, as well as outside assets, can have those aggregated and begin to make decisions based on a big-picture format.

Another tricky area is retirement plans. Most FinTech companies avoid certain plans due to their complexity, especially when containing multiple plan rules. For example, **Betterment** made an attempt to get into the 401(k) market, but failed. The same problem is often encountered by those trying to build for 403(b) or 457. In turn, GuidedChoice, through its modular and scalable platform can work with multiple plan rules as well as quickly changing legislature, both effectively and efficiently.

Another key difference is the fee model GuidedChoice offers to its investors. For many workers and individual investors that seek advice, they pay asset-based fees based on their balance, and as the balance grows, they pay more in fees. For workers who have GuidedChoice through their employer, the already low, asset-based fee caps out at \$100,000 so no matter how big their balance gets, they pay one low flat fee forever. Or said differently, the asset-based fee tiers down to close to zero. For the individual investor, our fee is always a low flat fee. The fee structure is by design and aligned with their mission to enable the advice needed to help individuals reach financial independence.

Today, GuidedChoice has more than 1.5 million users, ranging from McDonald's employees to those of Fortune 500 companies. About 70% of them joined organically, the other 30% through advisors or the company's call center.

## How does GuidedChoice work?

According to Sherrie, they have a two-fold optimization process for portfolio construction. During the first step, they pick up all possible asset classes.

“We do look at all of the traditional asset classes in the large cap, mid cap, and small cap. In the US, we'd be looking at international as well as emerging markets in the bond, all the traditional either long-term, intermediate-term, or short-term bonds, and cash looking at single value funds, money markets, annuities, CDs—the whole gamut that runs there.”

The second step is to look at available options to invest in. At this point, they optimize investment allocations and put clients on the efficient frontier portfolio point.

It's also worth mentioning how they conduct risk assessment. At GuidedChoice, there are no questionnaires. They assess the current risk level based on existing assets.

“If you've had your money in the stock market for a [while], you're familiar with the volatility of the stock market to a certain degree. We don't trust that you really know. It's not that we take in this assumption that you now know what you're doing.”

Instead, they have a utility function that looks at multiple factors: the goal, risk horizon, wealth level, ongoing contributions, and current investments. Based on that data, they select an optimal place on the frontier to reach the client's goal with the least amount of risk.

Usually, they're looking at all investments daily. The system tags portfolios containing a particular investment. The rebalance process is really taking individuals' account data, so they're pulling it from the record keepers into the system automatically. Again, Sherrie says, everything is done based on the utility function, which usually gets run every quarter unless there's a reason to do otherwise. However, the reallocation is usually done annually.

Outside of creating optimized investment portfolios, GuidedChoice advises on how individuals need to close the gap through other levers to enable them to reach their goals. The biggest driver is always savings rate. Through their rigorous methodology, GuidedChoice can answer for each individual the very critical question of, “how much should I be saving”. Data shows they have recommended savings rates approximately 300% higher than what people are saving, while on average most people using the tool increase saving rates by 110%. Typically, the reason is that users will begin planning looking to retire between ages 58 and 60. Seeing the higher savings rates causes them to increase their retirement age. GuidedChoice enables each individual to use their scenario modeling within the interface to model different decisions – should I retire sooner or later, should I be saving more outside of my employer plan etc. GuidedChoice is able to show them the impact that these decisions can make on the individuals future to help them make better more personalized decisions.

## Company organization

GuidedChoice is a privately held company divided into several teams:

- **the *customer experience team***, which takes up marketing;
- **the *business development team***, which is engaged in sales;

- **the *investment committee***, which determines the best way to provide advice;
- **the *product development team***; and
- **the *research and development team***, which takes up training research.

“A lot of PhDs sit around and discuss all the latest and greatest in financial research, as well as contributing to academia. We're constantly doing additional research to enhance the overall experience for individuals from the perspective of including all kinds of investments.”

GuidedChoice has a rich range of integrations, such as Inspira, Millennium, and more custodians on request, as well as dailyVest, Relius, Schwab, SRT, Paychex, ADP, and SunGuard for 401(k) record-keeping. GuidedChoice remains independent and privately held, solely focused on the best interests of the individual, with no conflicts of interest, no hidden incentives, nor any affiliation with any financial institution.

## Product management

To form the agenda, they work closely with their advisors' board and also using data from their marketing group. Nevertheless, Sherrie says that sometimes requests coming from plan sponsors or plan experts aren't always aligned well with the actual participant's desired experience and the reverse is true. They are convinced that decisions about features should come primarily from end users and the methodology of the advice from the experts.

“If we saw, for example, modern portfolio theory was no longer the best option and we wanted to change that, it's not going to generally be driven by customers. They don't even typically know what it is.”



## The development process

Sherrie says they're agile and have two different development teams. They are very methodical and detail-oriented, developing UI/UX and all the business rules before they code.

“Just given the complexity of the product, we don't use external developers, because we've tried it and it doesn't work. One little change in a workflow creates problems all the way back in our system.”

Engineers are divided into small teams that can interchange middleware, front-end, back-end, and device server. While exchanging roles and reviewing, they ensure better product

and domain understanding, and also that nothing goes into production on personal review. When they choose to outsource development, it concerns only standalone types of products using the API.

## Tech stack and security

GuidedChoice is run on Java, React, and SQL Server. The solution is now cloud-based, as the architecture was revised a few years ago.

The company dives deep into customer security. They keep most of the tech operation in-house to prevent data leaks, and they encrypt all the data, monitor the systems in real-time and keep data off and separate.

“We don't keep account numbers in our system, so it's not as if you can go in and pull anybody's money out. We've got a security team that puts together a complete security policy to ensure that nobody has access to any personally identifiable information. We just build everything to ensure that, even if something got hacked along the way, you couldn't do anything with the data.”

## Knowledge transfer

Sherrie says they have both formal and informal training within the company, although she says informal is preferred by employees, so they run formal classes as needed. That was necessary, for instance, when they had to revise the architecture of the system and needed to acquire a completely new tech stack.

Most of the knowledge transfer is run through cross-training. The teams exchange members, and the latter acquire new skills and expertise. Thanks to this, everybody gains an understanding of the whole process.

“They have to not just understand coding: they have to also understand all the financial services, all the rules, and all the business rules, which [are] far more complex.”

In addition, Sherrie says they have great documentation. As with formal classes, however, it's not that popular.



## Research topics

GuidedChoice advisors never stop conducting research. Their [investment team](#) includes Dr. Ganlin XU (PhD and CIO), Thomas M. Anichini (CFA), Dr. Harry Markowitz (PhD, investment committee member, and cofounder) and Ming Yee Wang (CIO emeritus and mathematics MA). Their latest publications concern portfolio construction, global equity markets, mean-variance analysis, risk profiles, and [more](#). Now, Sherrie says, one of the major topics is the double-taxation.

“The taxable component is becoming a bigger and bigger piece of the tools we need to utilize. But there's not been great resources developed in that space as to how to optimize, not just from an investment perspective. We also have to take into account the tax implications, as well as the time horizon ones.”

Another great topic is healthcare costs. Sherrie says it's a problem for people to predict how much money they'll need in retirement for health issues and medicines. The reason for this is inflation rates, which have skyrocketed costs for healthcare.

“It's pretty clear how much you'll need at retirement. It's an easy equation if you just look in general, but the one wild card is healthcare. [People] don't really have a clue as to what the majority of that decision is supposed to be based off.”

## Challenges and trends

The tough challenge for Sherrie is operating in the world of legacy when you're B2B. Financial services are very slow to move. This also includes the legislative environment and the protection mechanism.

“Inviting something new in the door that has the potential to disrupt anything is difficult. [...] Most people design everything based on what the legacy is saying. We design everything on what people want and what people want to know.”

According to Sherrie, healthcare and financial services are the most regulated environments in which to operate, and they are difficult to disrupt.

## Takeaways

Retirement planning is hard but necessary. Sherrie and her team are doing a great job of helping people to shed the financial burden when they are least able to take care of themselves. I think GuidedChoice's product and research findings will help them remain relevant for years and continue to bring value.



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.