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A TIGHT SPOT

There are more cars in Manhattan than ever, and it's killing the parking industry **PAGE 14**

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NEW MATH
FOR
**MANHATTAN
HOME
BUYERS**
P. 7

THE LIST
Most active
venture
capital firms
P. 10

FEMALE
FINANCE
TITAN'S
LATEST
VENTURE
P. 12



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NEWSPAPER

ELLEVEST

KRAWCHECK and her team are working to empower women through finance.

SALLIE FORTH

One of Wall Street's most powerful executives looks to marshal the #MeToo moment

BY AARON ELSTEIN

Sallie Krawcheck figured the day before the 2016 presidential election would be the perfect time to launch her newest venture, Ellevest, an investment firm specifically tailored to serve female clients. “We were going to have a female president,” Krawcheck recalled thinking at the time.

As it turns out, President Donald Trump's surprise victory just might prove to be the best thing that ever happened to Krawcheck's fledgling business. In this age of Time's Up and #MeToo, an investment firm run by and for women

has an undeniable appeal.

"The time is right for something like this," Krawcheck said. "I really feel this was what I was put on Earth to do."

The first woman to run a major Wall Street firm (two, actually: Merrill Lynch and Smith Barney), Krawcheck is going all-in to seize the momentum. She's traveling across the U.S. to spread the word about Ellevest, patiently fielding press calls. Earlier this month she launched a financial talk show on Yahoo featuring the closing line "More money, more power."

Her idea is resonating. After only 15 months in business, Ellevest manages \$67 million in assets spread over 10,000 accounts, and regulatory filings show it is growing at twice the rate of Wealthfront, the second-fastest-growing investment startup on record. Krawcheck has raised about \$45 million in venture capital funding from investors including former Commerce Secretary Penny Pritzker and tennis star Venus Williams.

"Sallie knows the space and has put together a strong team," said Jenny Abramson, managing partner of Rethink Impact, a venture capital firm that backs women-owned startups and was the lead investor in Ellevest's latest funding round.

Balancing act

Female-focused financial firms have been tried many times before, often with disappointing results because it's not easy to position half of humanity as an underserved niche market. LearnVest launched in 2009 with \$75 million in VC backing, but fewer than 10,000 people signed up for its standard investment plan. Three years ago the firm was acquired by insurance company Northwest Mutual.

Krawcheck acknowledges that for a long time she thought a female-focused investment firm was "a really dumb idea," she said. "I thought it was so sexist, so condescending."

But she also recognizes that the mainstream investment world simply hasn't served women all that well. Women in general have lower incomes than men, which means they have less to save for retirement. Women also keep 71% of their assets in cash, according to BlackRock, rather than invest in stocks. Closing that wealth gap hasn't been a high priority on Wall Street, where more than 80% of senior jobs are held by men, according to the U.S. Equal Employment Opportunity Commission, and the percentage of Wall Street jobs held by women has actually declined since the financial crisis.

"The industry is by men for men," Krawcheck said, "even if they don't mean it to be."

Ellevest's way of challenging the patriarchy is to offer low-cost investment options based on a client's age and income and an estimate of how much she'll reasonably need for a home and retirement. The firm's investment advice also accounts for the fact that women's earnings tend to peak earlier than men's and mothers are more likely than fathers to interrupt their career to take care of children. No minimum amount is required to open an account, and the firm avoids using industry jargon such as "outperformance" and "tax-loss harvesting."

"No one has come into this with ideas as well thought out or engineered as Sallie," said April Rudin, president of The Rudin Group, a consultancy that serves wealth-management firms.

Krawcheck has been succeeding in the man's world of Wall Street ever since 1995, when she worked as a research analyst at Sanford C. Bernstein & Co., advising institutional investors on when to



buy or sell shares of big financial firms. Questioning one of Citigroup CEO Sandy Weill's many acquisitions once earned her an irate phone call from the empire builder himself.

But Weill took a different tone when he called five years later looking for Krawcheck's help. Citi's reputation was soiled by a 2002 scandal involving an influential analyst at the bank's Smith Barney division, who raised his rating on AT&T's stock in hopes that Weill, a board member at the telecom giant, would help his children get into the exclusive 92nd Street Y nursery school—an arrangement the press described as a "kid pro quo." Krawcheck, who had by then risen to CEO of Bernstein and been dubbed Wall Street's "last honest analyst" on the cover of *Fortune*, held out until Weill tripled his offer.

In 2005 she was promoted to chief financial officer for all of Citi but returned to Smith Barney two years later to put out another fire. The previous chief had been ousted amid rumors of an affair with CNBC star Maria Bartiromo, to whom he'd given a ride from China on Citi's corporate jet while leaving colleagues behind to arrange their own travel home. *The Wall Street Journal* also reported that there was "growing unease" among unidentified investors about Krawcheck's "suitability" as CFO.

"Give me an effing break," Krawcheck growled when recalling the episode.

She left Citi for good in 2008 after proposing to reimburse Smith Barney clients for investment loss-

es that she thought the bank was responsible for. Management disagreed. "I was fired because I'm a woman," she said later.

Krawcheck resurfaced the next year at Bank of America, put in charge of the division that housed Merrill Lynch. The bank's board praised her work stabilizing the firm amid the postcrisis exodus of financial advisers and her "disciplined and proactive" risk management. But after less than two years, she was sent packing. The reasons were unclear, but the CEO who brought her in had been replaced by Brian Moynihan, and there were whispers that he resented her for outshining him. (A BofA spokeswoman didn't respond to a request for comment.)

New heights

After angling for a role in the Obama administration, Krawcheck, then in her mid-40s, entered a period of "meandering and wandering." In 2013 she acquired a women's professional network, 85 Broads, which she renamed Ellevest Network. Ellevest members talked about their difficulties with Wall Street, inspiring her to develop Ellevest.

The firm is in its early days, but Krawcheck may have tapped in to something big. Nothing in the business world speaks as loudly as money, and if enough women entrust her with their funds, Ellevest could develop into a shareholder advocate with the clout to pressure companies into abolishing the gender pay gap and better supporting women's careers. As empowering as it is for women to negotiate for raises or promotions, Krawcheck said, there are limits to what they can achieve individually.

"With Time's Up, #MeToo and the marches, women are coming together," she said. "That works. Being separated doesn't work."

In the meantime Krawcheck is busy staffing up Ellevest and broadening its product suite to include financial planning, career coaching and private banking services. While two-thirds of the firm's 52 employees are female, men work there, too.

"We allow guys," Krawcheck pointed out. "We love diversity." ■

ABOVE THE GLASS

THE LIST OF WALL STREET'S LEADING women remains frustratingly short. Just 39% of financial jobs were held by women in 2015, according to the latest figures from the U.S. Equal Employment Opportunity Commission, down from 43% a decade earlier. The picture is even bleaker in the C-suite, where women hold 19% of senior jobs, down from 20% in 2007. Here are some exceptions.



● ELLEN ALEMANY, CEO of CIT Group

● BARBARA DESOER, CEO of Citibank N.A.

● ADENA FRIEDMAN, CEO of Nasdaq

● MARIANNE LAKE, CFO of JPMorgan Chase (five women sit on JPMorgan's 11-member

operating committee, the highest percentage of any major bank)



● BLYTHE MASTERS, CEO of Digital Asset Holdings

● KATHLEEN MCCARTHY, global co-head of real estate at Blackstone Group

● MICHELLE NEAL, CEO of BNY Mellon Markets



● SHELLEY O'CONNOR, co-head of wealth management at Morgan Stanley

● KAREN SEYMOUR, general counsel at Goldman Sachs