

Polaris Portfolios: Visual Plug-and-play Wealth Management



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by INSART



POLARIS PORTFOLIOS

Website <https://www.polarisportfolios.com>

Key dates: Founded in 2015

Clients: Financial advisors, investors, financial institutions

Value proposition: Outsourced digital wealth management for community banks and credit unions

Senior management

[Evan Kulak](#), Cofounder, Chief Investment Officer

[Michael McDermott](#), Cofounder, Chief Technology Officer

[Grant White](#), Cofounder, Chief Marketing Officer

Polaris Portfolios is a wealth-tech that partners with banks and credit unions to provide them with a robust digital wealth management platform. The plug and play platform makes it easy for banks and/or credit unions to compliantly offer investment management and financial planning tools via a best in class digital interface.

I caught up with **Evan Kulak**, cofounder of Polaris Portfolios, to learn how their holistic approach to wealth management is unique in the expanding field of robo-advisory.

Before he cofounded Polaris, Evan worked as an analyst at Cadence Capital Management and Merrill Edge, and as a portfolio manager for Fifth Third Bank. He currently heads up the financial planning and investment divisions of Polaris, is a registered investment representative, and holds a Series 65 security registration.

What makes Polaris Portfolios different?

The FinTech space includes many pure robo-advisors and hybrid solutions. Most have some form of financial planning, risk assessment (questionnaire or otherwise), portfolio construction, rebalancing tools, integrations, and reporting capabilities.

“Our ultimate goal is when a client comes to Polaris, whether it's a health question, wealth question, retirement, household, whatever it may be, they can get an answer with a high probability of whether they're going to achieve that goal. And we want that to be done in a super simple way where on the back end it's complex but on the front end, to the client, it's something simple that they're able to use.”

Polaris have several key differences that banks and credit unions find enticing. First, they focus solely on financial institutions as clients. Evan explained that they don't charge investors directly, so their client acquisition costs are low. Their pricing model is set at 0.75% per year on a minimum \$500 account. This is higher than the 0.25% **Betterment** charges, but Evan believes that Polaris' value is stronger because they run their own proprietary strategies and offer more comprehensive financial planning tools.

“We're a hybrid model. So if a client has a question and wants to talk to someone, they can. We do not charge extra for that. It's all included. The way our solution is built for our bank/credit union partners it is all encompassing, from the custodian to the portfolio management. Banks/credit unions simply enter into a straightforward solicitation arrangement. It's completely plug-and-play.”

Leveraging the importance of integrations

Evan informed me that Polaris are currently integrated with **Folio Institutional** as their custodian. They have looked into other custodians to make it easier for their userbase to bring their assets over, but most of their clients are content with this custodian. Polaris has their own proprietary rebalancing tool, which means clients can do everything in a unified managed account.

“The rebalancer has to be able to know that this strategy here is not just a random set of stocks, but an actual strategy. That took a lot of time to build out. **Folio** was great in supporting that. And that leads to greater tax efficiency, reduced slippage, and more transparency for clients.”

Polaris also integrate with a CRM where client data is automatically pulled in, including the most recent interaction with Polaris advisors and support staff. Evan believes that soon custodians will start following **Schwab's** example with Intelligent Portfolios and will start launching their own robo-advisors. He also foresees a time when custodians will create their own ecosystem with their own software.

Core technologies and machine learning outlook

Polaris is a **Java-based** platform that runs on **Amazon Web Services**. Evan said that the software is relatively simple and straightforward in terms of the front-end layout, but the back end is significantly more complex. They have chosen an investment-management approach that is client-centric, and manage the client's behavior instead of having a complicated, fancy solution. Polaris employ full API integration with Folio and pull data from **Morningstar**.

Evan highlighted the fact that Polaris are pursuing machine learning and AI tech to make their platform more scalable and efficient, although he said that current technologies are not up to the level to handle this yet.

“Both machine learning and AI get tossed around a lot. I think they can be useful to better understand a client's behavior. For example, looking at things like, how often do they log in to their account? Do they take action when the market's down? Do they call their advisor? I think applying AI or machine learning to this dataset can help us to better serve the client.

Finding the right dataset is a major challenge, and it will take time to learn from clients' behavior and how they will react.

“I think the challenge is identifying a baseline data set and then accurately identifying the appropriate variables and how to measure each respective variable. There are so many variables it's an interesting challenge.”

Product management: Priorities and new features

The young Polaris team have made their clients a priority in everything they do. Evan explained that if clients required access to human advisors or want more financial-planning tools, the team provides those features. He believes that getting caught up in the technology is a mistake because the solution is for the client, not for the company. Polaris recently introduced health savings accounts and payroll-deduction IRAs (again, all requests from clients). These new features will make Polaris a more holistic offering.

“If a client has a preexisting health condition, how is that going to affect his/her retirement? That's something we are building out. We're looking at the health side of it as well as traditional goal based wealth management. We want to combine both aspects.

Team structure and company growth

As Polaris is a small, young firm, everyone does a little bit of everything. Mike McDermott, cofounder and CTO, has a strong tech background, having previously worked at Oracle as a solutions engineer. Mike helped with the tech side and handles Polaris' work with different vendors. Grant White, cofounder, is a marketing guru and controls branding and the creation and distribution of marketing materials. Both tech and business aspects are important to growth, since explaining finance to retail investors is hard work. Only a clear understanding of both guarantees everyone gets what they want.

Polaris is 100% employee owned. The main reason for this is that the founders believe this is the only real way of being a fiduciary for a client. While the team isn't opposed to funding, they feel that in order to take outside money they have to be certain that they're working with the right partner.

The biggest challenges, and how to solve them

The greatest challenge Polaris is currently working to solve is scaling. From a technology point of view, the Polaris platform is scalable. Evan explained that when a business starts growing very quickly, it becomes a challenge to manage existing clients while onboarding new ones and adhering to compliance standards that come with those clients. Finding the right people for the job is also a scaling issue that Polaris is very careful with.

“Anyone we hire has to have two things. First, they have to have a very detailed understanding of the digital wealth space. And second, they have to understand

the community bank and credit union space. They have to understand that when we partner for these banks, we are guests of these institutions. Our clients are the banks and credit unions clients first – we are here to provide a value-added service.”

WealthTech Club takeaways

Polaris’ team comprises ambitious, young professionals that have set out on a path toward quality business growth. Their client-centered approach is characteristic of startups with a bright future, and lays the foundation for an automated solution for financial institutions that uses financial research as the spearhead.



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.