



Operator 0s	Okay, ladies and gentlemen, and welcome to Wealthfront's fiscal third quarter earnings conference call. All participants are in a listen-only mode. Later, we will conduct a question-and-answer session, and instructions will follow at that time. As a reminder, this call may be recorded. I would now like to introduce your host for today's conference, Matt Moon, Vice President, Investor Relations. You may begin.
Matt Moon VP of Investor Relations Wealthfront 30s	Good afternoon, everyone, and thank you for joining us today to discuss Wealthfront's third quarter 2026 financial results, which reflect the quarter ended October 31st, 2025. On the line with me are David Fortunato, our Chief Executive Officer and President, and Alan Imberman, our Chief Financial Officer and Treasurer. After prepared remarks, we will open the line for Q&A. During the course of today's call, we may make forward-looking statements as defined under applicable securities laws. Forward-looking statements are subject to risks and uncertainties, and the company can give no assurance that they will prove to be correct. To better understand the risks and uncertainties that could cause actual results to differ, we refer you to the documents that Wealthfront files with the Securities and Exchange Commission, including the final prospectus filed in connection with our IPO. Our discussion today will include certain non-GAAP financial measures.
Matt Moon VP of Investor Relations Wealthfront 1m 24s	These non-GAAP financial measures should be considered in addition to, not as a substitute, or in isolation from GAAP measures. Reconciliations of non-GAAP financial measures to comparable GAAP measures can be found in our press release accompanying this call, which is posted to our Investor Relations website at ir.wealthfront.com . With that, I will now turn the call over to David.
David Fortunato CEO and President Wealthfront 1m 49s	Thanks, Matt. Last month, we took the company public in what was a significant milestone in the 17 years since we were founded in 2008. Though we are now a public company, what drives us forward every day remains the same, serving our clients who have entrusted us with their wealth. Throughout the IPO process, we had the opportunity to take a number of stakeholders through our long-term strategy and vision in detail. Since many of you on the call today are new to that story, we wanted to begin with a refresh of Wealthfront and the long-term vision and strategy that we are pursuing. Wealthfront began with the insight that advancements in technology could make intelligent investing effortless. We strive to deliver on this insight by prioritizing technology in everything that we do.
David Fortunato CEO and President Wealthfront 2m 35s	We've built fully automated services that enable a better client experience, drive faster product and feature velocity, and have generated high gross margins, at or around 90% in recent years. This allows us to pass along savings to our clients, delivering better financial outcomes, which, in combination with a digital-first user experience, establish, maintain, and grow trust. This trust leads to strong retention, deeper client relationships, and low-cost client growth via word of mouth.
David Fortunato CEO and President Wealthfront 3m 7s	This combination has driven Adjusted EBITDA margins to over 40% for the last 10 quarters, which has allowed us to reinvest in the business to continue this flywheel. The average age of our clients is 38 years old, and over three-quarters of our funded clients are born after 1980, a group that we define as digital natives. As of the end of calendar 2024, U.S. digital natives represented \$16 trillion in U.S. household net worth, or roughly 10% of the total U.S. household net worth.

- David Fortunato**
CEO and President
Wealthfront
3m 40s
- Contrary to popular belief, digital natives have been saving and investing at a rate roughly double that of prior generations, making them the wealthiest generation at their current ages, adjusted for inflation. As a result, this \$16 trillion in household net worth is projected to grow at an 11% CAGR over the next two decades, even excluding the well-documented benefit of the anticipated generational wealth transfer. This overarching secular trend underpins our long-term strategy: help digital natives who are expected to be the wealthiest generation ever turn their savings into wealth by continuing to service their needs at a low cost in a digital technology-first manner that they've come to expect from services they use throughout their daily lives. Today, we service our clients primarily through our cash management account and investment advisory account offerings.
- David Fortunato**
CEO and President
Wealthfront
4m 37s
- In cash management, we offer an account that combines the features a client would expect of both a checking and savings account. Over time, we continue to provide incremental value without charging additional fees and today provide an industry-leading APY on as little as \$1, with up to \$8 million in FDIC insurance for individual accounts and \$16 million for joint accounts through our program banks. Free instant withdrawals, free wire transfers, and paycheck access up to two days early, among other features. In investment advisory, we offer several products across the risk spectrum, the largest of which is our automated investing product. This diversified portfolio of low-cost index funds aims to excel at the three things clients can control to reliably improve their long-term after-tax returns: fees, taxes, and diversification.
- David Fortunato**
CEO and President
Wealthfront
5m 32s
- This product does so on an automated basis at a cost of 25 basis points, roughly 75% less than traditional advisory offerings, while also providing automated tax-loss harvesting benefits that have generated over \$1 billion in tax savings for our clients that reflect an average client benefit of over seven times their lifetime advisory fees. We are continuously innovating and prioritize our product development process not by chasing the latest fads, but by listening to our clients and their financial needs. In the third quarter, we originated our first home mortgage, and as we scale, we intend to offer clients access to low, transparent rates, and no hidden fees. We currently have licenses that cover the states of residence of the majority of our clients, and we began this gradual rollout of the product in the fourth quarter, starting with clients in Colorado.
- David Fortunato**
CEO and President
Wealthfront
6m 26s
- Taking out a mortgage has historically been a cumbersome process. We believe we can use technology to deliver a digitally seamless product while also providing our clients a more attractive rate relative to the industry average. Our average client is reaching the home buying stage of their lives, and with our clients having sent over \$2.5 billion in wires to escrow and title companies from our platform alone in calendar year 2025, it is clear that it is our clients who are the ones buying homes in the U.S. We believe that we have the opportunity to capture a meaningful share of this volume over time. We also launched Nasdaq- 100 Direct in the quarter, the first-ever product to offer retail investors the tax benefits of direct indexing in combination with tracking the performance of the Nasdaq- 100 Index.
- David Fortunato**
CEO and President
Wealthfront
7m 16s
- Wealthfront's Nasdaq- 100 Direct is available for 12 basis points annual advisory fee, a fee lower than leading exchange-traded product offerings in the space, with the added benefit of automated tax loss harvesting. This product went from idea to launch in less than eight weeks, highlighting the accelerating pace of product velocity exhibited by our talented engineering team. Turning to the quarter with key performance highlights, total platform assets of \$92.8 billion represented a quarter-end record and were up 21% year-over-year, driven by cash management assets up 14% year-over-year to \$47 billion and investment advisory assets up 31% year-over-year to \$45.8 billion. Growth included total net deposits of \$1.6 billion in the quarter and \$9.7 billion in the trailing 12-month period.

David Fortunato
CEO and President
Wealthfront
8m 15s

Funded clients ended the quarter at roughly \$1.38 million, up 20% year-over-year, with funded accounts of roughly \$1.78 million, also up 20% year-over-year, reflecting 1.3 funded accounts per funded client. During the third quarter, the Fed started to reduce the Fed Funds Target Range, cutting the range by 25 basis points at each of the September and October meetings and by another 25 basis points at the December meeting. As Alan will describe in more detail when discussing recent monthly trends through December, this rate-cutting cycle has resulted in an expected gradual migration of assets from cash to invest that has slowed the pace of cash management asset growth but has continued to support growth in total platform assets, including to two consecutive month-end records at both November and December ends. This dynamic is playing out as expected and reflects the intentional balance of our business model.

David Fortunato
CEO and President
Wealthfront
9m 15s

That is, when interest rates decline, we expect to see a slowdown in cash management asset growth but an increase in investment advisory asset growth and vice versa. These transition periods are not new to us, and we prepare for them principally through our product development philosophy. For example, we launched Stock Investing in early 2023 amidst a more muted retail trading environment because we wanted to be prepared for the next upswing in activity. We launched Automated Bond Ladders in 2024 amidst an inverted yield curve because we knew that the yield curve would eventually normalize. And we launched Home Lending in late 2025 amidst muted industry origination activity because we knew that our average client was nearing typical home buying age.

David Fortunato
CEO and President
Wealthfront
10m 2s

Every product addition was considered with transition periods in mind in order to be on the shelf and available to our clients when the transition eventually came about. We are better positioned today than ever to take advantage of the current transition period with the combination of a broad suite of investment products, overarching platform incentives, and targeted lifecycle marketing campaigns in place. Ultimately, we are most focused on asset retention and cross-product adoption during these transition periods, and this focus has already led to Q3 being the second-best quarter of total cross-product flows to investment advisory in the company's history, including the best quarter of net cross-account transfers from cash to invest in the company's history. We're encouraged to see these trends remain strong thus far in the fourth quarter. With that, I'll turn it over to Alan to go over the financials.

Alan Imberman
CFO and Treasurer
Wealthfront
10m 56s

Thanks, David. Starting with the income statement, revenue came in at a quarterly record of \$93.2 million, up 16% year-over-year. Cash management revenue was \$68.8 million, up 14% year-over-year, primarily due to higher average cash management balances measured as the simple average of beginning and end-of-quarter figures. The average cash management balance in the third quarter was \$46.8 billion, up 18% year-over-year, and the annualized cash management fee rate was 58 basis points, down 2 basis points or 3% year-over-year. On the fee rate, when the Fed reduces the Fed Funds Target Rate, we typically wait until the Friday of the following week to reduce the APY we offer our clients. This creates temporary fee compression because the interest rate we receive from banks reprices lower immediately, while the interest rate we pay to clients remains constant for a one-week grace period.

Alan Imberman CFO and Treasurer Wealthfront 12m 5s	Additionally, in a declining rate environment, the fee rate is negatively impacted by the inherent mathematical impact of converting annual percentage rates, or APR, to annual percentage yields, or APY. The inverse of this is true in an increasing rate environment. Investment advisory revenue was \$24.2 million, up 26% year-over-year, primarily due to average investment advisory balances of \$43.7 billion, up 28% year-over-year, while the annualized investment advisory fee rate of 22 basis points was flat versus the same period last year. Asset growth was driven by both strong markets and net deposits over the trailing 12-month timeframe, including our best quarter of net cross-account transfers from cash to invest in the company's history. Gross profit came in at a quarterly record of \$83 million, up 15% year-over-year, reflecting a gross profit margin of 89%.
Alan Imberman CFO and Treasurer Wealthfront 13m 10s	Total GAAP expenses of \$61.8 million were up 22% year-over-year, while adjusted operating expenses, that is, expenses excluding share-based compensation, were \$53.7 million, up 11% year-over-year, due primarily to higher product development expense, partially offset by lower marketing expense. Adjusted EBITDA of \$43.8 million was up 24% year-over-year and reflected an adjusted EBITDA margin of 47%, up 3 percentage points year-over-year. Incremental adjusted EBITDA margin was 66%, thanks to our highly efficient, low-marginal-cost infrastructure. We continue to demonstrate significant operational and financial discipline, delivering a Rule of 40 metric of 63 for the third quarter. This is our 13th consecutive quarter of more than three years, or more than three years, exceeding the Rule of 40 and underscores a business model that successfully and consistently balances robust top-line growth with the structural efficiencies of our automated platform.
Alan Imberman CFO and Treasurer Wealthfront 14m 25s	GAAP net income was \$30.9 million, up 3% year-over-year, and GAAP earnings per share was \$0.21. Our Adjusted EBITDA is a strong proxy for cash flow. Net cash provided by operating activities was \$41.5 million, and free cash flow was \$41.3 million. This results in a free cash flow conversion ratio, that is, free cash flow as a percentage of EBITDA, of 94%. Driven by robust free cash flow generation, we continue to strengthen our debt-free balance sheet, ending the quarter with cash and cash equivalents of \$266 million. Furthermore, we significantly enhanced our financial flexibility during the period by expanding our revolving credit facility to \$250 million from \$50 million previously.
Alan Imberman CFO and Treasurer Wealthfront 15m 20s	Cash balances do not include net cash proceeds from activities related to our IPO in December of over \$130 million, which, in combination with cash generated from operating the business, brings our cash and cash equivalents to over \$400 million today. A couple of housekeeping items for your models related to the IPO. First, the completion of our offering satisfied the performance condition for all time-vested dual-trigger RSUs, which will result in a one-time non-cash stock-based compensation charge that will contribute to total stock-based compensation in the fourth quarter ending January 31, 2026, in the range of \$245 million-\$250 million. Second, our post-IPO fully diluted share count is approximately 189 million shares. With the quarter wrapped, I want to spend a moment on our inaugural monthly metrics report, which we published alongside today's earnings release for the trailing 13 months through December.

Alan Imberman CFO and Treasurer Wealthfront 16m 27s	We will not be providing quarterly guidance but will instead provide these monthly metrics as the quarter progresses, with metrics for the first two months reported intra-quarter and with metrics for the final month reported alongside earnings for that quarter. Total platform assets continued to hit records in November and December, ending at \$93 billion in total platform assets in December, a new month-end record. Cash management asset growth was moderated by recent reductions in the Fed Funds Target Range in September, October, and December. Due to the laggard impact of our seven-day rate grace period, clients felt the end of October rate cut in November. The December rate cut made it two consecutive months of rate cuts for clients. However, these headwinds were more than offset by growth in investment advisory assets, primarily due to net deposits representing double-digit annualized organic investment advisory growth in December.
Alan Imberman CFO and Treasurer Wealthfront 17m 31s	November and December figures include the continuation of strong cross-product adoption and net cross-account transfers from cash to invest. Keeping assets within the ecosystem during transition environments is a key part of our strategy. Assets moving from cash management to investment advisory will lower revenue in the short term due to the lower relative fee rate for investment advisory assets, but due to faster investment asset growth, will benefit clients and Wealthfront in the long term. We continue to execute against this objective with asset-weighted cross-product adoption, that is, assets held by clients with both cash management and investment advisory accounts, ending December at 60%, up nearly one percentage point versus the end of the third quarter. As David noted, the natural hedge between cash management and investment advisory is an intentional feature of our business model, enabling us to grow and retain platform assets throughout various transition periods.
Alan Imberman CFO and Treasurer Wealthfront 18m 35s	Transition periods are not new to us. In just the last six years, we have experienced and see mostly consistent continuous growth in total platform assets throughout transition periods, including the COVID-19 pandemic, which included a swift bear market followed by a market recovery in low interest rates, the aggressive rate hiking cycle to combat inflation, which led to another bear market in 2022, and more recently, the 100 basis points of Fed rate cuts at the end of 2024, the tariff shock early in 2025, and 75 basis points of Fed cuts at the end of 2025. Each transition plays out differently, but the fundamental aspect of a transition is a mixed shift in asset allocations. The expanded breadth of our product suite, coupled with continuous feature enhancements and new platform incentives, gives us confidence in our ability to grow total platform assets through the current easing cycle.
Alan Imberman CFO and Treasurer Wealthfront 19m 33s	Furthermore, we believe the recent launch of home lending provides a critical strategic offset, as a lower rate environment typically stimulates mortgage and refinancing demand. This product allows us to capture a larger share of our clients' balance sheets precisely when cash management tailwinds moderate. Our business is fundamentally aligned with the interests of our clients. Simply put, we succeed only when they do. We believe that as long as we continue to deliver products that truly delight our clients, they will engage more broadly with us, entrust us with more of their wealth, and recommend our platform to their friends, family, and coworkers. We are deeply committed to this long-term journey alongside them. With that, let's move to Q&A.
Operator 20m 28s	I have a question at this time. Press star one one on your touch-tone telephone and wait for your name to be announced. We ask that you please limit yourself to one question and one follow-up. One moment for our first question, please. First question comes from the line of Devin Ryan with Citizens Bank. Please proceed.

- Devin Ryan**
Head of Financial Technology Research
Citizens Bank
21m 0s
- Thanks so much. Good to talk, David. Congrats on the first earnings call here. I guess we want to start on the mortgage offering and just love to get a sense of any of the early learnings as you guys are just starting to roll this out, kind of what you're hearing from customers. Is it as you expected kind of prior to rolling it out? And then if you can just remind everybody here kind of where you feel like on the product differentiation itself, what the experience, the benefits are of Wealthfront versus whatever else is in the market right now. Thanks.
- David Fortunato**
CEO and President
Wealthfront
21m 37s
- Yeah. So thanks, Devin. The fundamental offering really is a great digital experience and a great rate that'll be better than they'd find elsewhere. We've made good progress. We originated our first home mortgage in the third quarter and started letting clients off the waitlist in November. We initially started in Colorado. We've expanded and are letting clients off the waitlist now in Texas and California. It's still early days, and there's still a lot left to learn. We've continued to work to expand our license coverage and now support a majority of our clients. We still have a long way to go. The opportunity size is relatively large. We've sent just from Wealthfront Cash Management accounts \$2.5 billion in wires to title and escrow companies in calendar year 2025.
- David Fortunato**
CEO and President
Wealthfront
22m 29s
- You can make some assumptions on the typical down payment to get to an opportunity size, which we believe is both large and we have the ability to take advantage of. As we exit the holiday period, we're still in a relatively low seasonal period for home lending, but early results are promising, and we're continuing to stay focused on building for the long term. This is not a journey that's going to take us a few months to be at sort of our peak. We think it's going to be the course of multiple years give us the opportunity to build an amazing experience for our clients and for prospective clients in the future.
- Devin Ryan**
Head of Financial Technology Research
Citizens Bank
23m 10s
- That's great. Thank you, David. And then as a follow-up, just on the monthlies you're providing, obviously, would be very helpful to have this. So appreciate that. In terms of the December month, can you share anything around just the customer trends? I know the market's a little bit more volatile, but a bit of outflow. So any sense of kind of the dynamics there and then just kind of momentum in deposit gathering here kind of early into the new year and expectations there would be helpful. Thank you.
- David Fortunato**
CEO and President
Wealthfront
23m 40s
- Yeah. Thanks. We saw three consecutive Fed rate cuts continue to grow total assets on back-to-back month ends for November and December. When interest rates decline, we expect to see a slowdown in cash management assets and an increase in Investment Advisory asset growth. Ultimately, our focus is on continuing to grow total platform assets. The internal focus over the last few months and generally during any transition period is on incentivizing cross-product adoption of investment accounts and retaining client assets on the platform, as clients with both accounts are the ones that are most likely to bring more assets to the platform over time. The build-out that we've done over the last few years of investment offerings, we think, has put us in a great position to be able to help folks adopt investment products in their journey.
- David Fortunato**
CEO and President
Wealthfront
24m 37s
- I think we've executed cross-product adoption quite well during the recent Fed cutting cycle. Alan mentioned that asset-weighted cross-product adoption is up above 60% at December end. It's up 2% year-over-year from December 2024, but the total assets that are covered by clients with both cash and investment management accounts has grown by more than \$10 billion in that period because we have grown assets while growing asset-weighted cross-product adoption as well. We feel pretty good about the results that we've gotten from driving cross-product adoption. We think that sets us up well for growth going forward in the future, and it gives us a good opportunity to continue to expand with home lending as we build broader and deeper relationships with these clients.

Devin Ryan
Head of Financial Technology
Research
Citizens Bank
25m 35s

Okay. Excellent. Thanks so much and congrats again on the IPO. Thanks.

Operator
25m 41s

Thank you. Our next question comes from the line of Ryan Tomasello with KBW. Please proceed.

Ryan Tomasello
Managing Director
KBW
25m 51s

Hi everyone. Thanks for taking the question. Wanted to drill down into the customer acquisition strategy in mortgage, specifically how you think Wealthfront is positioned to meet customers before they engage with agents who, as I'm sure you know, tend to control a lot of that referral process on the mortgage side, and if you could also just remind us the structure of the mortgage business, including the partnership with United Wholesale and just the ownership structure, that would be helpful. Thanks.

David Fortunato
CEO and President
Wealthfront
26m 23s

Yeah. Thanks, Ryan. The first thing I would say is folks join Wealthfront really to save and invest, and they often have goals in mind. Our financial planning interface gives clients the ability to plan for retirement, plan for sending kids to college. It also helps them plan for buying a home. And that's one of the goals that clients engage with most frequently. So we have reasonable visibility into what clients are looking to do with their savings on the platform, and that gives us pretty early visibility that they might be focused on buying a home. And engagement with that goal, changing the number of bedrooms they're looking for or in what markets they're looking to buy a home, is a great early indicator that they are more actively engaging in the home buying process.

David Fortunato
CEO and President
Wealthfront
27m 9s

That gives us the opportunity to really present the ease of the experience that we offer if we can support those clients in their home states, get them pre-qualification letters, which generally clients will pull even before they significantly engage with a realtor so they start to understand what they can afford. And a realtor will often ask for that pre-qualification letter early in the process. We think that gives us a great opportunity to be able to engage with clients very early in their home buying process, even kind of before the home buying process would normally be considered to have started. And as we're able to build that, we also have the ability to add incentives for the home lending process.

David Fortunato
CEO and President
Wealthfront
27m 55s

We have nothing that we've rolled out yet, but it is something that we're actively looking at to provide incentives to help clients save for a down payment on the platform and then actively engage with our home buying experiences as well. Ultimately, we think if we deliver a great experience to clients, that will lead to word-of-mouth growth for the home lending product like it does for our cash management and our investing product as well, and then on the ownership structure, we are working to revisit or revise the ownership structure to have the home lending subsidiary fall under the Wealthfront Corporation umbrella. The ownership structure that we have was formed intentionally to limit exposure of personal financial information of the LPs and GPs of the equity owners of Wealthfront as a private company. That disclosure was required by various state laws.

David Fortunato
CEO and President
Wealthfront
28m 48s

The primary issuance via the IPO helped ameliorate these ownership thresholds, and once fully remediated, we do plan to restructure ownership of the home lending subsidiary. All that said and discussed in the S-1, it's important to note that the relevant management and financing agreements that Wealthfront Corporation has today gives Wealthfront Corporation the ability to direct the activities of Wealthfront Home Lending and absorb and fund all benefits and losses of Wealthfront Home Lending.

- Ryan Tomasello**
Managing Director
KBW
29m 23s
- Great. Thanks. Appreciate all that detail. And then in terms of the product development pipeline, as you think about ways to bolster asset retention, curious if the company would consider offering a more traditional self-directed investing product, basically to add another funnel on the investment advisory side of the business to recapture potential outflows on the cash side in a less favorable rate environment. Thanks.
- David Fortunato**
CEO and President
Wealthfront
29m 51s
- Yeah, so our Stock Investing product is the closest product that we have today to a kind of standard self-directed account. It's been the second most popular product for account openings over the last few months behind our Automated Investing Account in terms of number of clients getting started there. It is an area of very active focus for us to continue to improve that product experience and give clients who do want to engage with the Stock Investing product a great experience at being able to self-direct their investment choices. We also see it as an aggregation opportunity to help consolidate existing client assets on the platform so that they can see everything and manage everything in one place.
- David Fortunato**
CEO and President
Wealthfront
30m 44s
- So if you think about sort of our focus areas for investment, we're obviously continuing to do a lot of work on our Automated Investing Account and see opportunities to drive additional value with the product offering there. And I would say our other focus on investing is really in the self-directed Stock Investing account.
- Ryan Tomasello**
Managing Director
KBW
31m 4s
- Great. Thank you, David.
- David Fortunato**
CEO and President
Wealthfront
31m 7s
- Thanks.
- Operator**
31m 9s
- Thank you. Our next question comes from the line of Dan Perlin with RBC Capital Markets. Please proceed.
- Dan Perlin**
Managing Director
RBC Capital Markets
31m 19s
- Thanks. Good evening, everyone. And again, let me offer my congratulations on your one-year-old quarter here post the IPO. The question I have to start with is you've had historically just a very high referral rate, very organic in nature to drive a lot of new clients and obviously asset gathering. But now that you've done the IPO, you've got a brand out there clearly that's going to be more obvious to people. I'm wondering what that go-to-market motion might look like. Would you be willing to kind of step up investments there, especially at a time when investors are potentially coming out of cash accounts and moving into the advisory space? Thank you.
- David Fortunato**
CEO and President
Wealthfront
32m 0s
- Yeah. I mean, the first thing that I would say is the business does follow some seasonal patterns and trends. So as we enter Q1, Q1 is historically a or calendar Q1 is a solid time for sign-ups. Sort of around the same periods that people are focused on going to the gym, they're also focused in making improvements to their finances. Over 50% of our new clients in the last two years have been through referrals, and we continue to see referrals be a primary way to bring folks onto the platform. We did make some incentive changes recently, which give us a little bit of flexibility in the way that we do some of our paid marketing.

- David Fortunato**
CEO and President
Wealthfront
32m 50s
- So we added a benefit for new clients joining the platform that are not referred, and then we increased the benefit to the referral product from 50 basis points to 75 basis points, which continues to reserve the best incentive that we offer to existing clients that are referring their friends, family, and coworkers, but at the same time provides an incentive to folks that are either visiting the website organically or the app organically or are engaging through our paid channels. So I think you can sort of see from that we are both trying to drive incentives which optimize our ability to convert clients coming in through organic and paid channels while still trying to make sure that the referral channel is the most valuable channel to come in both for clients.
- David Fortunato**
CEO and President
Wealthfront
33m 45s
- It obviously is the most valuable channel for us because folks tend to come in with higher asset levels and adopt more products more quickly if they come in through the referral channel.
- Dan Perlin**
Managing Director
RBC Capital Markets
33m 56s
- Yeah. No, super efficient, and you guys have been very successful doing that. The other quick question I have maybe for Alan is just as we think about the gross margin implications to the extent there is any as you move kind of from the cash management account into advisory, anything to kind of flag for investors as we move forward in that potential rate cycle? Thank you.
- Alan Imberman**
CFO and Treasurer
Wealthfront
34m 19s
- Thanks, Dan. On a margin basis, actually, the investment account is just as profitable, if not more incrementally profitable than cash management. And that's primarily due to the fact that the cash management account has really the only true variable cost associated with it. Obviously, on an absolute dollars basis, the cash management account, because of the higher fee rate, will generate a higher gross profit margin dollars. But on a pure relative margin basis, investment accounts are just as profitable. And so the gross profit margin shouldn't be as impacted.
- Dan Perlin**
Managing Director
RBC Capital Markets
35m 4s
- That's great. Thank you.
- Operator**
35m 8s
- Martin, as a reminder, if you do have a question, simply press star one one to get in the queue. Our next question is from Alex Markgraff with KBCM. Please proceed.
- Alex Markgraff**
VP
KBCM
35m 23s
- Hi guys. Thanks for taking the question and congrats on the transaction. David, maybe one, just to better understand some of the asset retention story, could you just give us a sense of the client experience from a life cycle marketing standpoint? You mentioned some incentives just as to sort of what the client sees and feels as they're making those decisions on asset allocation at this point in time. Thanks.
- David Fortunato**
CEO and President
Wealthfront
35m 49s
- Yeah. I mean, one of the things that I think that we think is important in understanding both our clients and clients of other platforms is the jobs-to-be-done framework. And so the jobs that our clients hire us to do is to turn their savings into wealth and build wealth over the long term. We think that puts us in a position where the life cycle marketing, sort of the ongoing messages that we provide to clients both in-app and over email and through our content marketing is focused on growing clients' wealth over time. And so when there are Fed rate cuts, we want to orient clients to other opportunities that exist in product.

- David Fortunato**
CEO and President
Wealthfront
36m 32s
- The diversity of products that we have gives us the ability to offer products like the Automated Bond Ladder account for folks that might not be ready to sort of put more of their money into equity markets, the Automated Bond Portfolio, which is a little bit higher yielding and a little bit higher risk than the bond ladder product, up to our Automated Investing Account, which we think is the best way to build wealth over the long term, along with some more self-directed style offerings, which we would include the Direct Indexing products and the Stock Investing account. The incentives that we've used have been some experimentation around accelerating that adoption. We've had good early results in December with incentives to drive additional cross-product adoption. I think we've seen both asset flows and account opening accelerate as a result of that.
- David Fortunato**
CEO and President
Wealthfront
37m 35s
- I think we're quite happy with the incentives. We think it puts us in a much better position. Ultimately, we've achieved record assets as of the beginning of this weekend. I think we crossed \$94 billion at the beginning of the weekend because of the cross-product adoption that we've been able to drive and the continued engagement with the platform more broadly.
- Alex Markgraff**
VP
KBCM
38m 7s
- Understood. I appreciate the color there. Maybe just one on. I know there was an earlier question on client growth, but maybe just to come back to that. I think as you all have shared in filings and in the deck here, obviously a very large opportunity ahead of the company. Maybe just curious, stepping back, how you think about, or Alan, any comments on how you think about deploying acquisition dollars in the near term? Understanding there's some seasonality in the very near term, but maybe stepping back a little further to just talk about how you think about client growth and the opportunity at hand given it is so large. Thank you.
- Alan Imberman**
CFO and Treasurer
Wealthfront
38m 48s
- Yeah. What I would say is we're still in a transition environment mostly focused on cross-product adoption. So from cash to invest, we've grown clients quite strong over the past few years in the high rate cycle intentionally. And now, during the transition environment, the most important thing is incentivizing and executing on cash to invest. And even outside of that, as David mentioned before, our most important client acquisition strategy and obviously most efficient and effective is the referral channel. Some of that comes with incentives, and so we can use capital to put to work there as well. But that's where you're going to see kind of our focus. We've been that way really since inception is on the referral. And so we'll continue to look out for opportunities around paid and do some of our normal paid spend.
- Alan Imberman**
CFO and Treasurer
Wealthfront
39m 49s
- But during this environment, it's cash to invest, and still we're always looking at the referral channel.
- Alex Markgraff**
VP
KBCM
39m 57s
- Great. Thank you both. Appreciate it.
- Operator**
40m 1s
- Thank you. We have a question coming from the line of Rob Ryan with Wells Fargo. Please proceed.
- Rob Ryan**
Sell-Side Equity Research Analyst
Wells Fargo
40m 10s
- Good afternoon, everyone. Other than the automated investing program, all of your products on the investment side are fairly new, either brand new or maybe less than three years old. So what has been the product uptake for the new investment products? Has this changed over time? And where did these new products stand in terms of contribution to total October 31st investing platform assets? And because of the differences in the fee rates, in a way, wouldn't it kind of be good if we saw a bit of a downtick in your average management fee rate?

David Fortunato
CEO and President
Wealthfront
40m 53s

Yeah. Thanks for the question, Rob. I would start by saying our goal is to grow total platform assets. And so if clients want to engage with some of the direct indexing products, that's great. If they want to engage with the automated investing account, that's great. We think that we can offer all of these products profitably over the long term. That said, most new clients and most new assets on the investment side of the business join us for the automated investing account. The other products help us in different macro environments and different transition environments, and they help drive cross-product adoption of cash-first clients to investment accounts over time. Each of the categories, so the automated bond ladder, the automated bond portfolio, the direct indexing accounts, and the stock investing accounts, are over \$1 billion in assets each.

David Fortunato
CEO and President
Wealthfront
41m 52s

So we have seen good relative growth of all of those products. But the fastest absolute growth that we've seen continues to be in our Automated Investing Account, which provides a globally diversified, tax-efficient investment option that takes care of all of the difficult choices that a client might have to make in their asset allocation without them having to think about it.

Rob Ryan
Sell-Side Equity
Research Analyst
Wells Fargo
42m 20s

Okay. Great. Thank you.

Operator
42m 22s

Thank you so much. And I'm not showing any further questions. I would now like to turn the call back to David Fortunato for any further remarks.

David Fortunato
CEO and President
Wealthfront
42m 33s

I want to thank everyone for joining the call and for your continued interest in Wealthfront. We look forward to staying in touch and updating you on our progress in the months ahead. Thank you all.

Operator
42m 44s

Ladies and gentlemen, thank you for participating in today's conference. This concludes today's program. You may now disconnect. Everyone, have a great day.