

Betterment hits unicorn status following \$160M raise

Article

The news: The US-based digital wealth manager has raised \$160 million in funding through a \$60 million Series F and a \$100 million credit facility, surpassing the unicorn milestone with a \$1.3 billion valuation, [per](#) Finextra.

How we got here: Founded in 2008, **Betterment** has seen its assets under management (AUM) growth accelerate over the past year:

- It added **\$10 billion** during April 2020-21, following a record-breaking quarter in Q1 2021 in which it onboarded 56,000 new clients. This marked 116% year-over-year growth.
- Since April, Betterment has scored roughly **\$4 billion** in new client deposits, taking its total AUM to \$32 billion.

Over the past year, Betterment's growth has been fueled by increasing consumer adoption of robo-advisory services, the success of its newer products, and its takeover of its rival **Wealthsimple's** US client book.

- **Robo-advisory adoption.** The number of new robo-advisor account holders in the US grew by 37.4% during 2020, which was 13.7 percentage points higher than the 2019 growth rate, **per** an Insider Intelligence forecast.
- **More nascent products.** Betterment has added \$1 billion in new net client deposits to its sustainable investing option, and Betterment for Business—its 401(K) option for small businesses—posted 370% growth in the number of businesses using its services, per RiaBiz.
- **Strategic acquisition.** Betterment's **purchase** of rival digital wealth manager WealthSimple's US book of clients for an undisclosed fee immediately added around \$190 million in AUM.

What's next for Betterment? As growth through new account holders tapers off for US robo-advisors, Betterment will likely funnel funding toward differentiating its services.

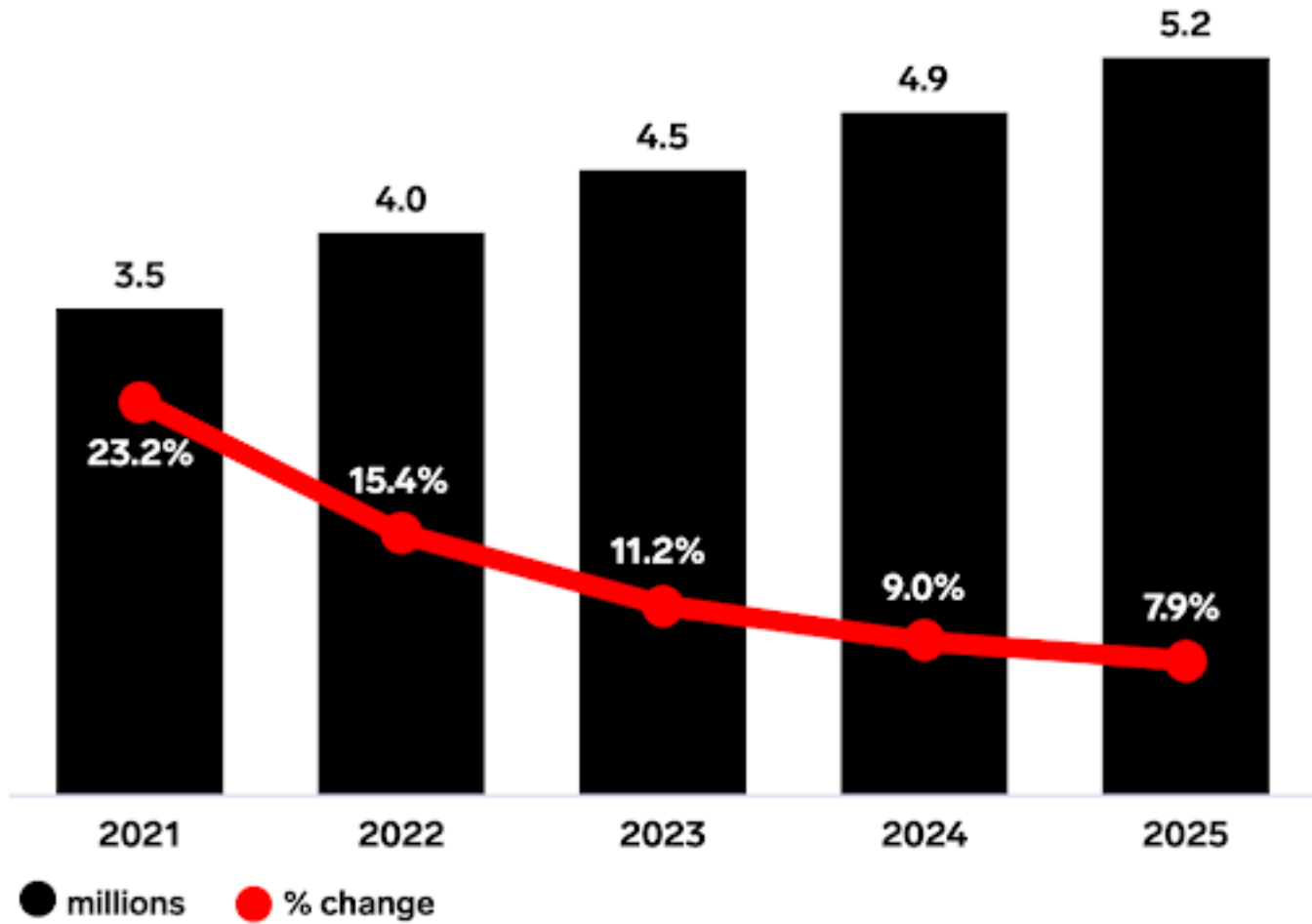
US digital wealth managers won't be able to rely as heavily on substantial new user growth to power client acquisition, adding further pressure to an **increasingly** competitive market.

- **After a 23.2% upswing in 2021, the growth rate will drop by 7.4 percentage points in 2022 and decline to single figure growth through 2024,** per data from Insider Intelligence.

To stand out from the pack and continue to add new clients, digital wealth managers will need to differentiate their services. In this vein, we expect Betterment will follow the lead of competitors **Wealthfront** and **MoneyLion** and push for crypto investing options. Consumers' interest in the digital asset class is **spiking** and approval of crypto ETFs by US regulators will likely **follow**.

Robo-Advisor Account Holders and Penetration

US, 2021-2025



Source: eMarketer, June 2021

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