

The Best Free Personal Finance Software – Personal Capital Tool Review

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ThemeGrill

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Take Control Of Your Personal Finance

Personal Finance

Mary Personal Finance

Do you know what's going on with your money? Is it being managed properly? How can you choose the best free personal finance app that will make your life much easier?

There are many important financial questions that you probably need help to answer.

Are you on track for a comfortable retirement? Do you know your family's Net Worth? What would be the right investments to achieve your financial goals?

Before trying to find answers or make changes, you must get all the information about your existing accounts and aggregate it in an easy-to-read form.

How are you doing it currently? Are you managing a spreadsheet that contains all the data, updating and reviewing it periodically? Is there a better way to do it?

Do You Have A Full Picture Of Your Finances?

I'd like to share with you my own experience on the way to better personal financial control.

I should make an embarrassing confession here. Till recently, I didn't know my own family net worth and didn't use any personal finance software at all.

With all my financial education and experience, I never really took the trouble to put the pieces of the puzzle together and face the total number. It would be even more surprising if you have an idea of how much I'm constantly worried about our financial future.

Every tax raise or school tuition increase makes me nervous for weeks. I lay sleepless in my bed, thinking "Would we be able to keep a balanced budget and save enough for the kid's college and our retirement? Should we cut some expenses now?"

How strange is it to worry about something and never really take a good look at it?

Apparently, if you have no idea what your Net Worth is – you are not alone.

Most of the people in the US have multiple types of financial accounts and assets: checking account, savings account, retirement savings, credit cards, investments with brokers, education plans, real estate properties and more.

It takes a lot of work to create a spreadsheet, to list all the accounts, to get the updated balances and type in all the information. To make things worse, EVERY time you want to review this data, you need to login to all of the accounts and collect the updated data again. This process can take hours, so most people just don't do it at all.



Why Do You Need To Track Your Finances?

It's important to know how your financial situation changes over time. There are many factors

that can impact it, both individually and externally.

You might start a family, have kids, experience health issues, get a better job or move to a new location that has a different cost of living.

Global financial markets are volatile, interest rates change, inflation goes up, and exchange rates fluctuate.

Sometimes we need to make adjustments to our financial assets profile to reflect these changes, but how can we choose the right move and the right timing without having the full picture of our current financial situation?

Being in the personal finance blogging niche often helps me improve my own finances. Doing research and reading other blogs exposes me to many new tools that I test before offering my opinion to you. It was exactly the case with collecting the data from my various accounts and looking at my family's net worth.

I came across several personal money management tools and checked their pros and cons. In my case, there was no urgent need for a detailed budget management or bill payment reminders, as we are well organized in this area and almost never miss a due date. My focus was on data aggregation, retirement planning, and investment checkup.

After a lot of research, I found [Personal Capital](#) to be the best available tool for my needs. Could it help you as well?

Let me explain what it is and how it works so you will be able to make an educated decision for yourself.

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Let's get started...

What is Personal Capital?

Personal Capital is a financial services company founded in 2009 with the vision to “build a better money management experience for consumers”. The company’s cutting-edge technology makes investment advice easily accessible, objective and personal.

As of October 2018, Personal Capital has more than 1.9 million users (I am one of their customers as well!), over \$625 billion in tracked accounts and \$8 billion assets under management.

The two main components of the business are a FREE personal finance software and a paid investment advisory service. In this review, I’m going to look at the free tool only, as I didn’t use the advisory service yet (I’m considering to do it next year).

Short Summary of what Personal Capital software does – it displays the holistic aggregated view of all your financial accounts, including balances and transactions. This FREE tool allows you to better understand and manage your banking accounts, loans, credit cards, mortgage, investment portfolio, and retirement and education funds. You can monitor how your income, spending and saving change over time, how your investments perform relative to the market indexes, how your home value changes and more. In addition, you can track all your credit card and banking accounts transactions at the same place.

Personal Capital tools are available for desktop, mobile phones (iPhone and Android apps) and even on the Apple Watch.

You wonder what the catch is? How all this is available for free? Well, there is no catch. The software is really free.

Then how Personal Capital makes money? From managing client’s money.

If you have more than \$100K investable assets, you’ll be offered two free sessions with a personal financial advisor.

He or she will help you to understand your current financial situation, set up your retirement goals. In addition, he will offer you some of the paid services, such as wealth management and tax optimization, but you are absolutely free to say no and keep using the software for as long as you wish, free of charge.

Use the button below and you’ll get \$20 Amazon gift card if you link an account with at least \$1000 of investable assets.

[Click to sign up for Personal Finance for Free](#)

Personal Capital Company Background

Before I use any financial service, I like to know who stands behind it. Do the owners have the right background and proved competence to run this business?

Personal Capital was founded by people with extensive previous experience from well-known financial and security companies.

Bill Harris, the founder, was formerly the CEO of Intuit and PayPal. Jay Shah, the CEO of Personal Capital has over 20 years of experience with FinTec companies, including E-LOAN. Maxime Rousseau, the Chief Information Security Officer of the company, came from PWC's Advisory practice where he was a consultant to financial and technology companies for over 15 years.

In the Board of Advisors of Personal Capital, you can find Harry Markowitz, a recipient of the 1990 Nobel Prize in Economics Science. If you have a formal financial education, as I do, you will definitely recognize the name of the "Father of the Modern Portfolio Theory" who suggested that diversification can reduce the risks.

Personal Capital is a privately held company. Its investors include such famous funds as Blackrock, Corsair Capital, IVP, Venrock, and others, who actively participate in the company's management, being a part of its Board of Directors.

Headquartered in San Carlos, California Personal Capital has offices in San Francisco, Denver, Atlanta and Dallas.

How To Sign Up And Open An Account With Personal Capital?

Use the button below and you'll get \$20 Amazon gift card after linking any investable account (brokerage, 401k, IRA, etc) with \$1,000 or higher balance.

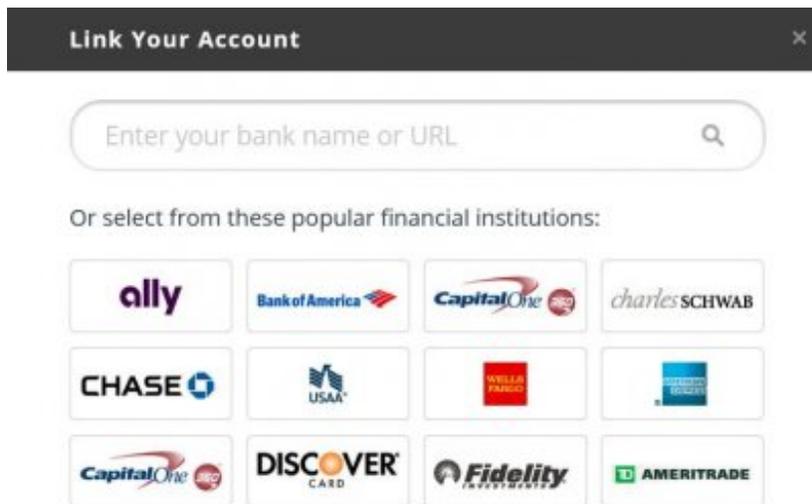
[Click to sign up for Personal Finance for Free](#)

The sign-up process is fast and easy. Keep in mind, for security purposes, you'll have to register every device you use, be it a laptop or a mobile phone. You'll get a text or an email (per your choice) with a verification code to confirm your identity. It may be a bit annoying, but believe me, it's all for your own safety.

As part of your profile setting, you will be asked several questions about your date of birth, marital status, planned retirement age, annual income, saving habits, and risk tolerance. This information will help Personal Capital to provide you individually tailored financial advice.

What Types of Accounts can you link to Personal Capital?

After the initial sign up and account creation process, you should start linking your financial accounts:



- Checking and savings bank accounts
- Credit Cards
- Retirement accounts (401(k), 403(b) or 401(a) plans, IRA, Roth etc)
- Brokerage accounts
- Mortgage
- Student and Auto Loans
- High Yield Saving accounts
- 529 College Saving Plans
- Real estate properties
- PayPal and Venmo

Unfortunately, you can't link any foreign accounts, but there is an option to add them manually. If you know what assets are held in these accounts, you can enter the tickers and amounts and the system will update the value automatically.

For each account, you'll be asked to provide credentials (username and password) to allow Personal Capital to create a link and pull the data. In many cases, your financial institution will use additional verification step such as texting you a code. Does it sound scary to put in this sensitive information?

Well, it's a very good legitimate question. Let's address it right away. I wondered about the information security issue as well, when I opened my own account. Therefore, before moving on to link my data, I did some research about it.

Is My Information Safe with Personal Capital?

Nothing is 100% safe on the web. Do you consider your information safe when you store it on our private cloud or use it to access your bank account from your own laptop? Are you sure you have the best tools to protect it from hackers?

I don't feel safe when I need to login into my numerous accounts from home or from my cell phone. The truth is – the more accounts to login you have, the more you are vulnerable to cyber-attacks.

With Personal Capital, after initial linking, you will need only one set of username and password to be able to see all your accounts. The access is **read-only**. It means no one can move any amount of money in, out, or between your accounts, using the Personal Account Dashboard. You can't and neither can anyone else.

I don't want to get too technical, but this is super important, so bear with me.

There are two main concerns about data safety: in transit (connection) and in storage.

#1 Connection safety:

The data must be protected in transition after you provide your credentials to login into each account.

All the information you provide to Personal Capital is encrypted with top-level security protocols (mostly TLS 1.2).

In addition, **two-factor authorization** is required. This means that every time you try to log in from a new device (mobile, tablet, laptop or desktop), the system will send you a code via text message or email.

#2 Storage safety

Once you provide your credentials to Personal Capital, this data is encrypted with the highest encryption standard, AES-256 bank-level encryption. The Advanced Encryption Standard (AES) with 256-bits key is considered the golden standard in the industry. It is used by the US Government and the largest financial institutions.

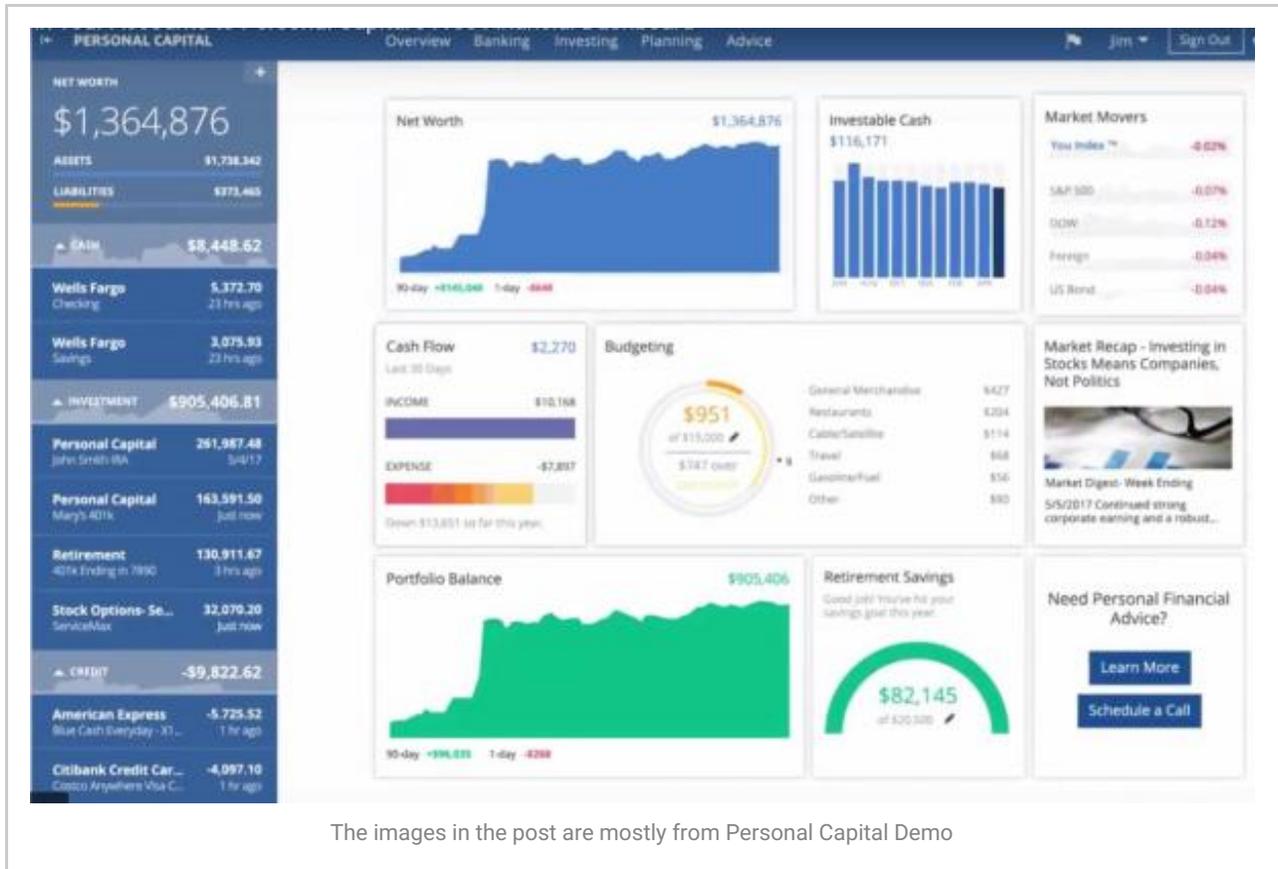
The encrypted data is not stored in Personal Capital database, but at [Yodlee](#), a financial technology veteran that provides an additional layer of safety. Yodlee works with more than 1,100 financial institutions, including 13 top US banks. It's subject to periodical audit by the Office of the Comptroller of the Currency.

Your credentials are much safer there than in the browser of your personal laptop.

The bottom line about data safety is this: [Personal Capital](#), with its leading information technology team, uses **the best tools in the industry** to protect your data. If you trust your bank and use their website to make transactions with your money, you can trust Personal Capital to pull and present the data from your account.

How To Use Personal Capital Software?

Let's see what useful functions exist in this software. All of them can be easily accessed from the top menu or from the Dashboard that looks like this:



The Dashboard allows quick access to the main sections, like Net Worth, Cash Flow, Budgeting, Portfolio Balance and Retirement Savings.

If you are a visual learner, here is a detailed video tutorial about different features of Personal Capital:

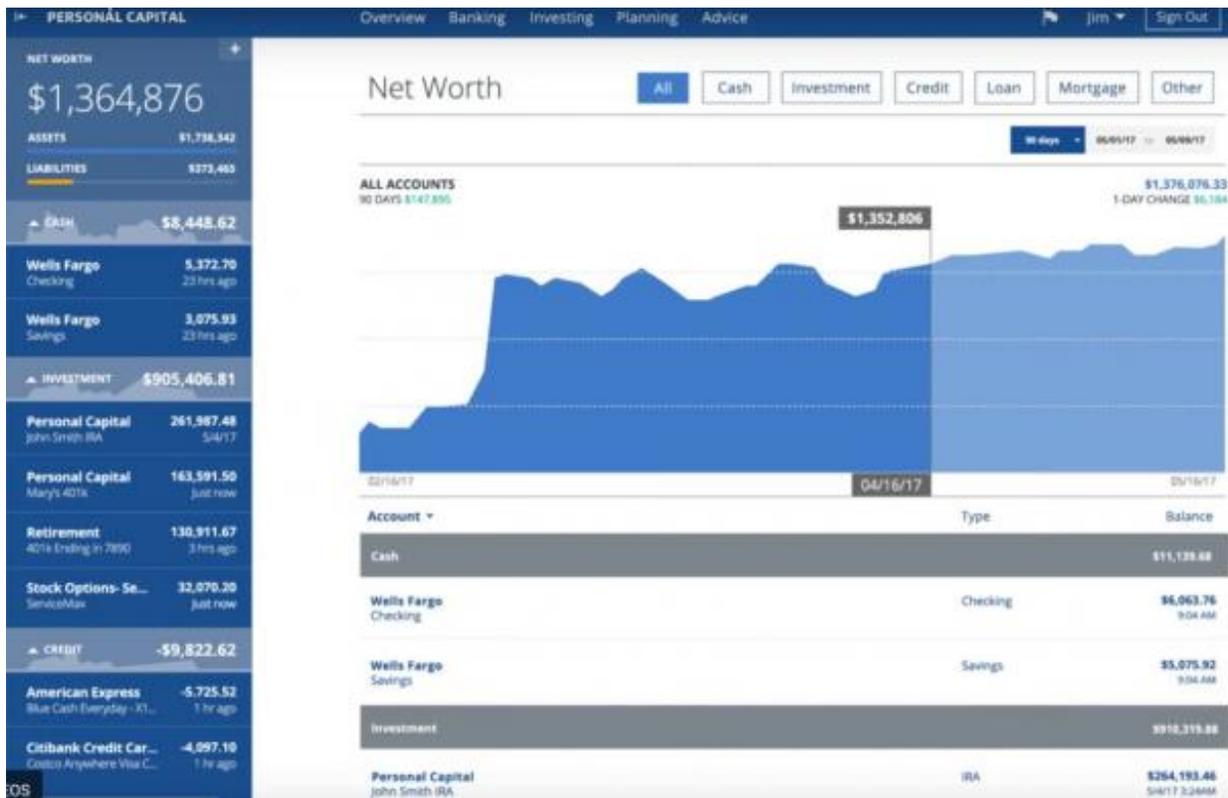
Track Your Net Worth

What is Net Worth? It's just the result of the simple equation: assets minus liabilities.

Assets include cash, savings, investments, real estate properties, vehicles, jewelry, and collectibles.

Liabilities are what you owe: mortgage, student or auto loans, credit card balance and other debts.

The need for a Net Worth tracking tool was the main driver for me to sign up for Personal Capital. I wanted to know how much money we have saved, how the savings are impacted by the market movements, and how our savings grow over time.



Monitoring your Net Worth will help you understand the holistic picture of your finances and make educated decisions related to debts and assets on your personal balance sheet.

Track All Your Transactions

You can easily see all of the transactions together in one list, or choose from the available categories:

Monitor the transactions from your credit cards, checking accounts, mortgage, loans etc.

It's much easier and faster than having to login into every account separately.

Transactions



You can choose a category for each transaction from the available list of various income and expense options or just create your own. This will help you with Cash Flow management.

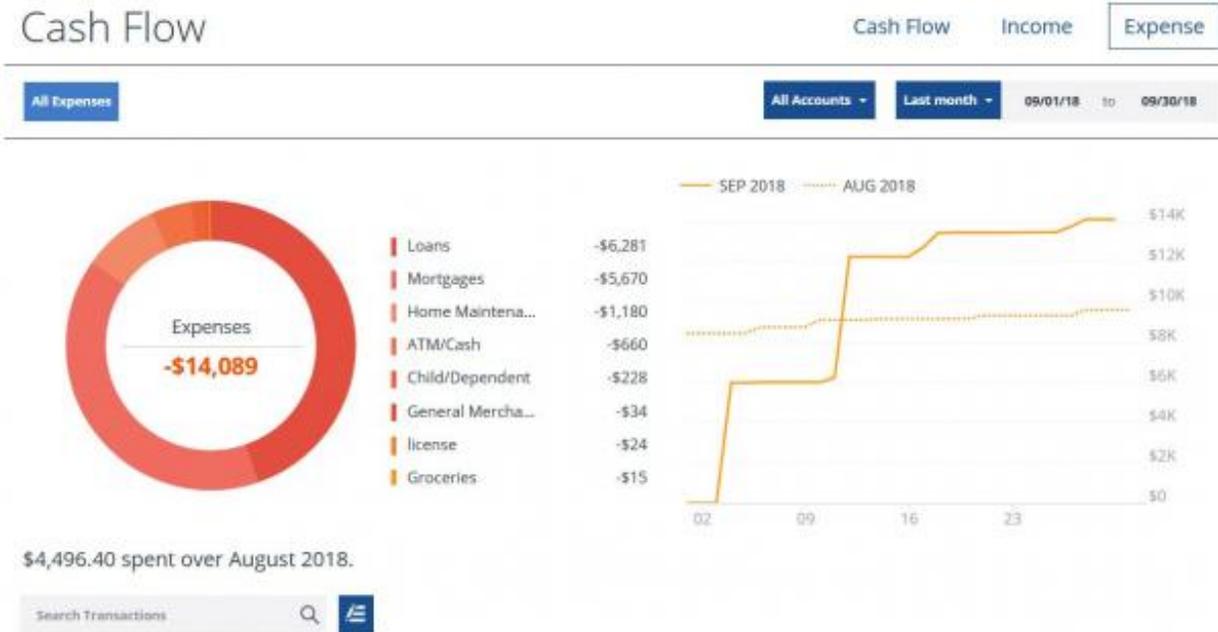
The early fraud detection is an additional benefit. When you have an easy tool to review all your transactions across all accounts, including credit cards purchases, I'm sure your control will be better and more frequent, so you won't fall victim to a scam without noticing it.

To make things even simpler – you can just subscribe to Daily Transaction Monitor email and get a daily list of all the activities that happened in your accounts. This way anything suspicious will be reported to you right away. The sooner you know about it, the easier it will

be to remediate.

Track The Cash Flow

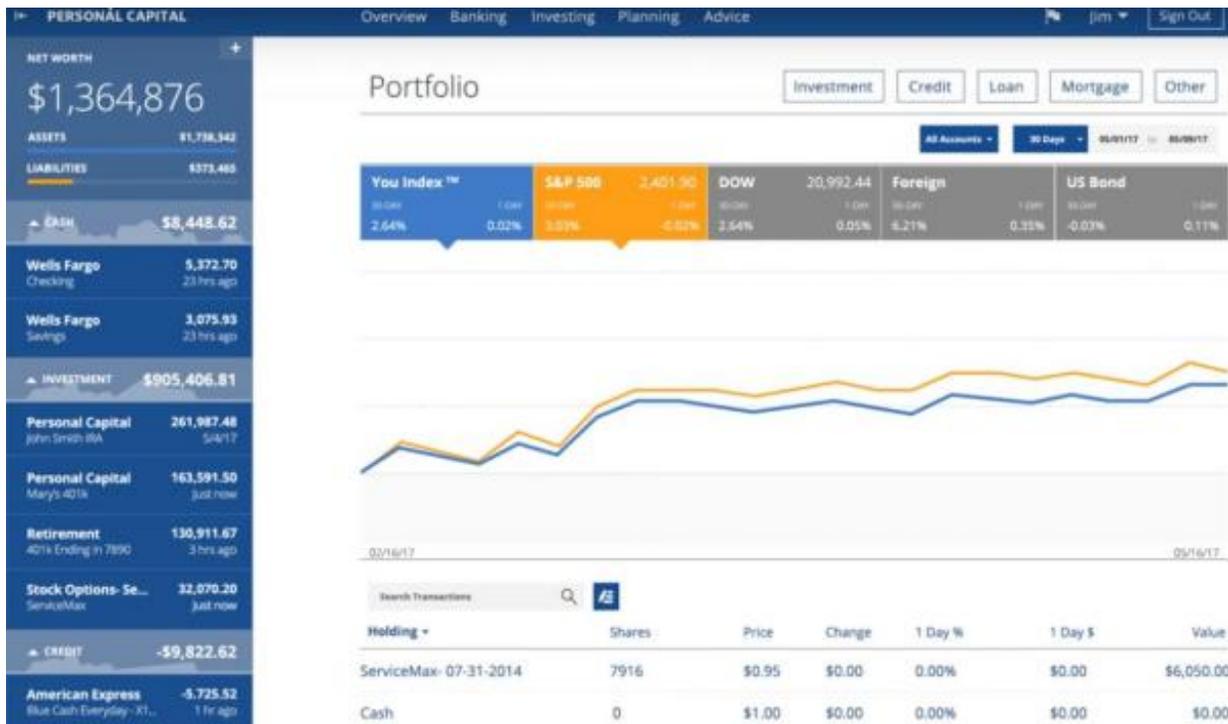
Cash Flow is the money you receive minus the money you pay out. With Personal Capital tool you can see if you spend more than you get, compare to the previous period (week, month or year) and check what the main spending categories are.



Portfolio Tracking Tool

This is one of the main features you'd like to use when you come to check the components of your total portfolio. Do you really know what percentage of your total investments and retirement savings is held in Stocks? How much your portfolio is impacted by international markets? Does your portfolio perform better than the major indexes?

Personal Capital helps answer these questions and allows you to make adjustments based on real data and not some vague assumptions about your assets allocation.



The “Investment” tab of the main menu offers several views of your portfolio. In each view, there is an option to pick one or more of your accounts to be shown on the graph.

The “Holdings” tab displays the performance of your portfolio compared to one of the major indexes (you can choose S&P 500, DOW, Foreign or US Bond). This tab also provides a detailed list of the holdings at the individual asset level.

The “Allocation” tab shows how your portfolio is diversified between major investment classes – cash, bonds, stocks, alternatives (real estate and commodities).



By clicking on any box on the chart, you get more detailed categories, for example for US Stocks you’ll get the split between Large Cap, Mid Cap, Small Cap Growth etc.



Clicking on any box again gives a more granular breakdown of specific assets, indexes or stocks:



Retirement Planner Function

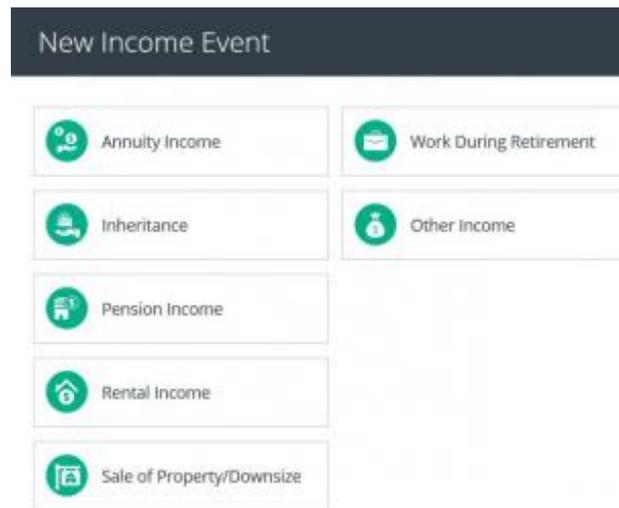
Under “Planning” tab of the main menu, you can find a very useful prediction tool – Retirement Planner. Before you look at the graph, scroll a bit down and add more information about Income Events and Spending Goals.

Here is the sample list of Income Events. You can see the options like Inheritance (I wish I had a rich aunt or uncle that would leave me a million dollars at some point!), property sales etc.

Spending Goals can include Wedding, Education, a new Car or house renovation.

Based on the information and assumption you've provided in the profile and in the Income and Spending events, Personal Capital software will run a simulation and show if you are on track to comfortable retirement. Unfortunately, most Americans are not. Maybe frequently looking at this prognosis will encourage you to save more for your future.

Just remember the rule "garbage in – garbage out". If you enter inaccurate information in the parameters, such as the planned retirement age, annual saving, income, and expense events, you'll get weird graphs out of this tool.



Retirement Fee Analyzer

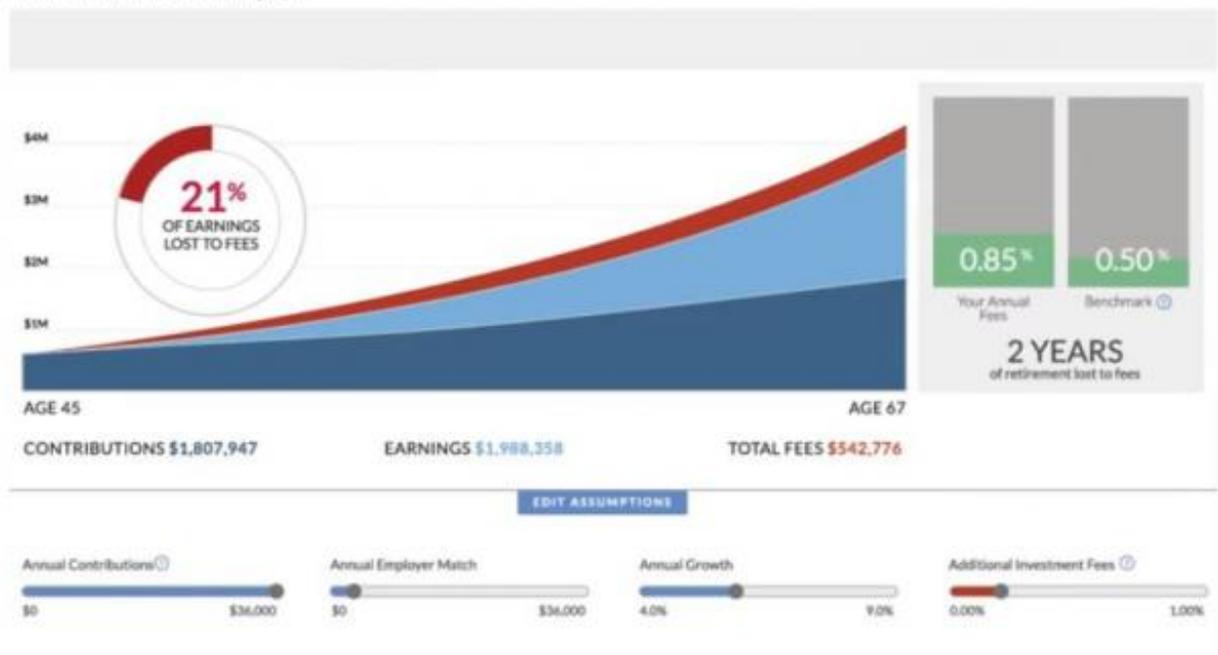
The fees people pay for their retirement plans management can add up to very large amounts and substantially reduce the funds available to you at the retirement age. There are several components to these costs:

#1 The fees for the funds that your 401(k), 529 College plans and other accounts are investing in. This is public information that Personal Capital collects from the fund providers.

#2 The administrative fees charged by your retirement accounts. These fees may vary from 0% (usually if you are employed by a large company) to about 1% for the employees of small companies. You can look up this information in the disclosure statements provided by your benefit's administrator. Input this information using the slider in the assumptions sections under the graph.

#3 Unpublished fund fees. Some of the specialty funds may charge additional fees in the range of 0.3%-0.5% without plain disclosure. For 401(k) plans, you can try to find this data on your plan administrator website or in the reports they mail you annually. Input this in the "Expense Ratio" slider.

Retirement Fee Analyzer



If your fees are higher than the benchmark, you might consider moving to more affordable plans.

Investment Checkup

This is another free useful tool that you can use to make better investment decisions. It presents your current assets allocation to different asset classes. In other words – what percentage of your portfolio is invested in stocks, bonds or cash. The tool uses the Monte Carlo simulation to calculate the recommended allocation, based on your personal goals and loss tolerance, maximizing the returns and minimizing the risks. The table below shows the comparison.

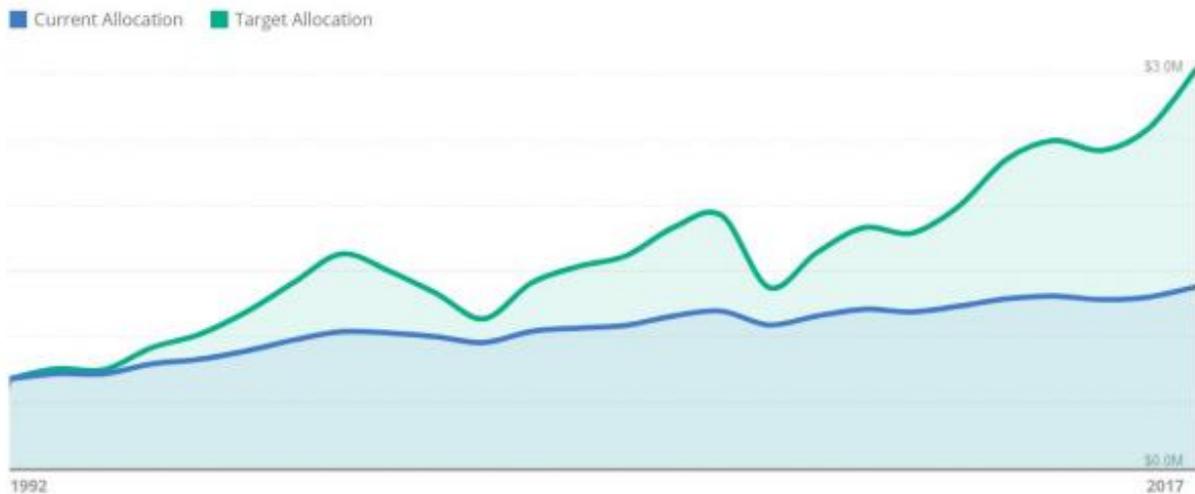


It's easy to see from this table that the owner of these accounts shouldn't hold so much cash, but rather invest it in US and International stocks.

In addition, you can see the graph comparing the performance of the existing and recommended allocations from 1992 to 2017.

HISTORICAL PERFORMANCE

Since 1992, your Target Allocation would have grown to be larger than your Current Allocation.



What Personal Capital can improve?

Budget Management. If you are looking for a tool to help you closely manage your budget, set the annual and monthly spending goals and stick to them, then you'd better use a more budget-focused tool, like Mint or YNAB. However, the budgeting function at Personal Capital is relatively new and can be improved in the future.

Accounts Connectivity. Sometimes, it can be hard or impossible to connect some of the accounts. I had to try multiple times till one of our retirement accounts with Lincoln was connected. Personal Capital adds more linkable options all the time. However, it only covers US institutions. I couldn't link any foreign pension accounts and had to add them manually, without any ability to track their individual holdings.

Comparison Charts. I'd like to have a **chart** that compares the performance of my investment or retirement accounts with different advisors. As of now, you can only see the change in the given period as a table. A chart would be easier to understand.

Detailed Tutorial. Having a nice step-by-step tutorial would be beneficial for the customers. For now, I can offer you my help. If you are having any issues – let me know with a comment under this review. Usually, I reply within 24 hours.

Promotional Calls. If you link investable accounts with a balance higher than \$100K, you are likely to receive phone calls offering paid investment services. Well, we all understand that they can't just give away free software. They have to make money. You can ignore the calls from unknown numbers or ask to opt out.

Summary – How Personal Capital Can Help You?

Personal Capital has many advantages to offer to customers with any size of an investment portfolio:

- ◆ The software is FREE and available on various devices (desktop, laptop, tablet, cell phone, and smartwatch)
- ◆ Easy consolidated transactions monitoring displays everything in one place
- ◆ Net worth tracking helps you focus on your financial goals
- ◆ Cash flow analysis allows you to stay on track with your budget
- ◆ Retirement planner ensures you are on the path to a comfortable retirement
- ◆ Fee analyzer points you to money-saving opportunities

All these features make Personal Capital probably the best free personal finance software available today.

I recommend Personal Capital to anyone who wants to be in control of their family finances. As I already mentioned, I use it myself and find it very convenient and easy to understand.

You can sign up using the button below and get \$20 Amazon gift cards (after linking an investment account with a minimum of \$1000 value).

[Click to sign up for Personal Finance for Free](#)

What is your favorite financial software? How Personal Capital tool could benefit you?

Share your thoughts and experiences in the comments below.

Mary

P.S. If you find this review useful and interesting – please share with your friends.



You are more than welcome to like my [Facebook page Mo Cash For You](#).

Mary

My name is Mary and I'm the owner of MoCash For You.