

YOUR MONEY

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Zero says you can have it all.

You can have a credit card with world-beating cash-back rewards. You can have an elegant app that tells you exactly how much money you have and keeps you from spending any more. You can have a checking account that seamlessly pays off that credit card with no late fees or interest, ever. You can get a generous cash-back reward — up to 3 percent, a better overall offer than almost any credit card. All that, in one package.

That is the eyebrow-raising promise of the financial service that Zero Financial offers. After more than two delay-plagued years, it began serving its first customers from its 160,000 person waiting list on Friday.

There are about a thousand reasons both to root for Zero and to be intensely skeptical.

Here's how the system is supposed to work: You download the app, pass a credit check and get the card. Then Zero fixes everything that's annoying about monitoring your spending.

Consider why your current credit-card-plus-checking-account setup can be so frustrating. Perhaps you have a primary credit card, but maybe you have others, too, for unique rewards they offer. You have to track the spending and due dates for each of them and tie all that to your primary checking account with reminder texts or emails. Turning on autopay can help, but if you run short of cash and switch it off, you can easily overdraw or miss payments or accidentally carry a balance.

Zero will try to solve this by working with two partners — WebBank to operate the credit-card machinery and Evolve Bank & Trust to maintain the checking account — and weaving them together with its app.

The app presents your “current position,” which is what you have in your Zero checking account minus the purchases you've made with the Zero credit card. It's a sort of imaginary balance — Zero doesn't really pay off your credit card until the bill is due, on the normal monthly schedule, and it does that invisibly so as not to mess up the “current position” mirage.

Zero will also cut you off if you try to make a purchase that would put that current position below zero. “We do that to encourage fiscal responsibility,” said Bryce Galen, the company’s co-founder and chief executive. “Typical banks want people to hold credit-card balances.”

This system may sound weird, until you grasp the other benefit Zero says it offers: generous cash-back rewards.

[Check out Wirecutter’s recommendations for cash-back cards.]

Zero sounds like a glorified debit card, but debit card purchases go over financial networks that yield lower fees from the merchants. By sending purchases over the credit card networks instead, higher fees come to Zero. And it can use those fees to give customers higher rewards — up to 3 percent cash back — without an annual fee or counting your spending only in particular categories.

There is, of course, some fine print.

Users have two ways to earn 3 percent cash back. If you spend over \$100,000 per year, you earn the 3 percent reward and keep earning it for the rest of that year and all of the next year, until you requalify or fail to do so. If you can’t spend that much, you can also hit the 3 percent mark by referring enough of your friends to the system: four new people each year, but only if they set up direct deposit and zap their paychecks into a Zero account at least two times and make two purchases with the card.

Cash-back rewards are available at lower tiers, too. Everyone gets 1 percent cash back as a baseline. People who spend \$25,000 or refer one person per year get 1.5 percent cash back. Spend \$50,000 or refer two people, and the cash back rises to 2 percent.

A quick note to the card nerds out there: Yes, you can get cash from an A.T.M. Yes, it’s technically a cash advance on a credit card. No, you won’t have to pay cash advance fees. Yes, the A.T.M. owner might charge a small fee. No, Zero is not paying that fee unless you qualify for the 3 percent club.

So let us consider this 3 percent offer and set it against the history of lofty — and often broken — promises here in cardland.

Zero’s business model is insulated somewhat by the fact that the vast majority of its users will almost certainly not earn 3 percent cash back.

Most people need an income of at least \$250,000 to support \$100,000 in annual spending. And as for those referrals, think about everything that has to happen to successfully make four each year.

You’ve got to be nervy enough to push cards on behalf of the company. Your friends and family have to trust you. Then, they must disrupt two vital systems in their financial lives, switching both their checking accounts and their primary credit card. Doing that involves

rearranging automated transfers with all the entities that interact with those accounts each month: pushing in paychecks and other deposits, or pulling out bill payments.

So will it succeed? Imagine the fallout if it does.

If big banks feel competitive pressure to mimic Zero's system, they will have to start running billions of purchases that used to go over cheaper debit-card networks on the pricier credit-card networks instead. "Merchants would revolt," said Ron Shevlin, director of research at Cornerstone Advisors. (They'd raise prices, too.)

Then again, by the time any such hypothetical moment would arrive, Zero would want to be more than a piece of plastic in your wallet and an app on your phone. Like most of the financial start-ups that have come and (mostly) gone since the dawn of the internet, it wants to become an omnibus financial service brand that replaces big banks once and for all.

That's a big dream. One day, it just may come true for some company or another. And for now at least, Zero is going to throw a pile of rewards money around trying to achieve it.

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