

# TAX TALKS

Australia's Tax News Podcast - The Podcast for Australian Tax Professionals

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## 73 | Mclowd's 2020 Vision

Mclowd's 2020 vision is to improve retirement outcomes for self-funded retirees by driving down the cost of SMSF administration. That was Mclowd's vision from the very start and never changed.

### Mclowd's 2020 Vision

In July 2018 the founder of Mclowd Ashley Porter sat down to pen down Mclowd's 2020 vision on paper. We met with Ashley to understand the details. Here are the main points we took away from that meeting.

#### Governance

Wikipedia scaled to being the fifth most visited website on the planet not because of technology, but because of governance. Wikipedia founder Jimmy Wales understood that the only scalable solution to the creation of that much content was to open the exercise up to the crowd.

Mclowd has taken a very similar approach engaging with crowd-sourced resources.

#### Capital Structure

While Mclowd is not an open-source platform like Wikipedia (where traditional equity interests simply don't exist). But despite this the community has reached its current size with just \$1.3 million in capital on its balance sheet.

The injection of 'social capital' by evangelists (particularly trustees) and now from larger administration firms validates Mclowd's vision and governance structure. And makes up for the lack of capital from angel investors.

The community now sees steady growth in active users (and revenues). As a consequence cashflow funding is being gradually transitioned from balance sheet to P&L.

#### Technology Infrastructure

Mclowd has been built from the ground up on Amazon Web Services (AWS). All the major banks as well as Xero, Netflix and millions of other organisations use AWS.

AWS addresses two key requirements of the community: Extremely high levels of availability and almost infinite levels of scalability.

#### Application Environment

Workflow automation is critical to the community's vision because it reduces the per unit cost of administration. The current focus of development is on polishing off the core functionality so as to better support the nearly 5,000 registered users.

The community already receives data directly from ASX (end-of-day prices for listed securities), Macquarie (cash management account) and DDH Graham. And indirectly via third party aggregators. But the introduction of open banking will significantly expand the available data set and drive marginal cost towards zero.

At the same Mclowd will need to continue to migrate from third party sources to direct feeds (where the marginal cost is zero).

The key focus points for workflow automation are the migration of pre-existing fund data into Mclowd, processing of transactions, simplification of year-end processes including reporting packages, integration with Superstream and tighter integration of the services marketplace into the accounting software as well as improving the workflow around actuarial, audit and lodgement.

The community now has access to numerous tools for Robotic Process Automation (some of which are freely available), as well as off-the-shelf or open-source AI models for data matching.

### **Operating Model**

The community has reached its current size without ever having a physical office. This is bearing testimony to the power of the crowd and Mclowd's ability to leverage the crowd.

While the community will probably one day need a central office, for now the globally-dispersed nature of the workflow makes this unnecessary.

The challenge now is to scale up that operating model up to a much larger number of funds and users.

### **Product and Services Ecosystem**

Over the last ten years the economy has been shifted its focus from products to platforms. The success of platforms like eBay, Uber, AirBnB bear testimony to this.

Applying this to the Mclowd community, the community needs a platform where the bulk of the workflow takes place between buyers and sellers, with the role of Mclowd Pty Ltd being limited to providing and maintaining the technology infrastructure and ensuring governance is managed in such a way that it drives scale.

There are now dozens of SMSF professionals operating in the Mclowd Marketplace, offering more than 40 individual services and products across audit, accounting, administration, tax, legal and data migration as well as actuarial certificates. By 2020 this ecosystem will need to incorporate property valuations and document providers.

### **Conclusion**

So this is Mclowd's 2020 vision. Use innovation and cost deflation to improve retirement outcomes for self-funded retirees.

### **MORE**

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