



CR Wolters Financial Access Systems

Presents to



Jersey Shore Chapter





What do they have in common?

- McDonald's
- Dominos Pizza
- UPS
- Blockbuster
- U-Haul
- Sears Roebuck
- Coca Cola
- U.S. military
- Social Security Administration
- Federal employees



*They all have implemented
payroll debit cards*





Problems Created

When an employee does not enroll in direct deposit (DD), costs of time and money are incurred to:

- Employer
- Employee



When implementing DD, here's where most companies stall...

- Employee acceptance
- No bank account → no direct deposit (DD)



What is a payroll debit card?

- Vehicle for depositing pay without issuing a paper check
- **It is a bank account**
- Financial medium which functions as a direct deposit account
- Functions as traditional ATM debit card except
 - No traditional bank relationship required
 - No credit check required
- Employer provides access to bank



How does it work?

- Employer makes cards available to employees to enroll in DD
- Employer loads payroll funds onto reloadable, prepaid cards using same process as ordinary DD
- Employees access pay via ATM or Point of Sales terminal (POS)



Target Employee

- Unbanked
- Underbanked
- Employees who are parents of college students away from home or send funds to family members abroad
- Employees or retirees living abroad
- Need for immediate access to funds
 - Use for real time transfer capability
 - Terminated employees, commissions, bonus, T&E

Target Audience





Not all cards are created equal

✓ **Card Platforms**

- Stored-value
- Checkless checking account

✓ **Card Types**

- Pin-based (unbranded)
- Signature-based (branded)



Card Platforms: Stored-value and Checkless Checking Account

SV

- Pooled account
- Employer owned
- Aggregate account
FDIC-insured to \$100K
- Financial
responsibility/ liability
- Employer tracks
escheatment

CCA

- Individual account
- Employee owned
- Each account FDIC-
insured to \$100K
- No financial
responsibility/ liability
- Escheatment
eliminated





Card Types: Pin- and Signature-based Features

SIGNATURE

- **Visa or MasterCard logo**
- **Transaction completed with pin or signature**
- **Access via ATM, POS, where credit cards are accepted**

PIN

- **No hologram**
- **Transaction completed via pin only**
- **Access via ATM & POS where available**



Pin- and Signature-based Benefits/Risks

SIGNATURE

- (+) greater access including online purchases
- (+) prestige
- (-) less secure
- (-) risk for off-line
- (-) **greater risk for liability for cardholder / program owner**

PIN

- (+) access increasing
- (+) more secure
- (+) low risk for misuse
- (+) less complicated
- (-) currently less access



Not all cards are created equal

- ✓ Card-to-card transfer capability
- ✓ Pricing – must look at **all** costs
- ✓ Training & Implementation



Employer Considerations

☑ **Costs Savings**

- **Lower payroll costs, boost DD**
- Eliminates stop payment and re-issuance costs
- **Eliminates escheatment***
- Reduce customer service time and costs
- **No check processing fees**
- No lost time/productivity
- Ability to go paperless
- No distribution costs or time* *

* Not available with all programs

** Dependent on paperless pay stubs



Employer Considerations

Reduce or eliminate hassles

- Eliminates reconciliation difficulties due to un-cashed checks
- **Eliminate check fraud or potential**
- Simplify payments to widely dispersed employees



Employer Considerations

- Conveniently and easily pay off-cycle payments in real time
 - Termination
 - Bonus
 - Commissions
 - T&E
 - Corrections
- Eliminate remote possibility of unforeseen delays in delivering checks



Employee Benefits

- ☑ **24/ 7 convenience & access to pay**
 - ☑ No need to carry large sums of cash
 - ☑ No waiting in line to cash/deposit check
 - ☑ Eliminate coming into office to pickup check
 - ☑ Don't have to wait for check to clear
 - ☑ Paid on time even while on vacation or day off
 - ☑ Independence
- ☑ **Cost savings** (2-10% check cashing fees)
- ☑ **Purchase goods** and get cash back at POS



Employee Benefits

- ☑ Decrease incidence of identity theft and increase security of personal information
- ☑ **Electronic bill pay capability***
- ☑ **Establish a positive credit history***
- ☑ **Provide cost-effective money transfer to others worldwide and in real time***

* Not available with all programs



A common concern

“I don’t want our employees to pay for accessing their funds”

There is only one way for employees to access their pay free of charge...



You have to pay them in cash!



Options For Employees To Access Pay

- Checking account \$79/year*
- Sponsoring bank – may charge \$5-7
- Check cashing facility 2-10%

* Based on statistics by the U.S. Govt. Cost to own a bank account per year is \$ 79.40; Samuel Frumkin, Office of the Comptroller of the Currency



Average Costs Per Month for Managing Finances by the Unbanked *

- Check cashing: \$55-\$60
- Bill payment: \$1.50-\$3.50/money order
- Funds transfer to another geographic location: \$15-\$35

* Paytech Magazine, April, 2004 The Right 'Bank' for Unbanked Employees by Monty Montgomery





Summary

- **Favorable employer economics**
- **Ease of implementation**
- **Attractiveness to employees**



Evaluation Tools Available

- Card platform chart
- Questions to ask paycard vendors



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