

ESSENTIAL PAYCARDS GUIDE



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Your Workforce Partner

THE ESSENTIAL GUIDE TO PAYCARDS

Now more than ever, businesses are using direct deposit as a cost-effective and more reliable way of managing employee wage distribution. However, many employees do not use a traditional banking account, which makes direct deposit a challenge.

Many employers who have converted paperless payroll have also decided to implement a paycard program as an alternative method of payment for employees to choose. Paycards continue to grow in popularity as more and more people leave the traditional bank relationship behind and opt to have their money at their fingertips.



According to a study conducted by Visa®, 87% of companies using a paycard program stated implementation was easier than expected.

WHY PAYCARDS ARE POPULAR

There are several factors that contribute to the continued use of paycards, both for employers and employees:

Distrust of Financial Institutions

Some people choose to be unbanked because they distrust financial institutions for one reason or another. As a result, there are 8 million American households that don't have a bank account, according to a study conducted by the FDIC. With a large number of the workforce not using a checking account, paycards are a great alternative to direct deposit.

Elimination of Fees

With paycards, employees do not have to worry about check-cashing fees. They can have access to transaction and balance information via email or texts, and enjoy access to many surcharge-free ATMs.

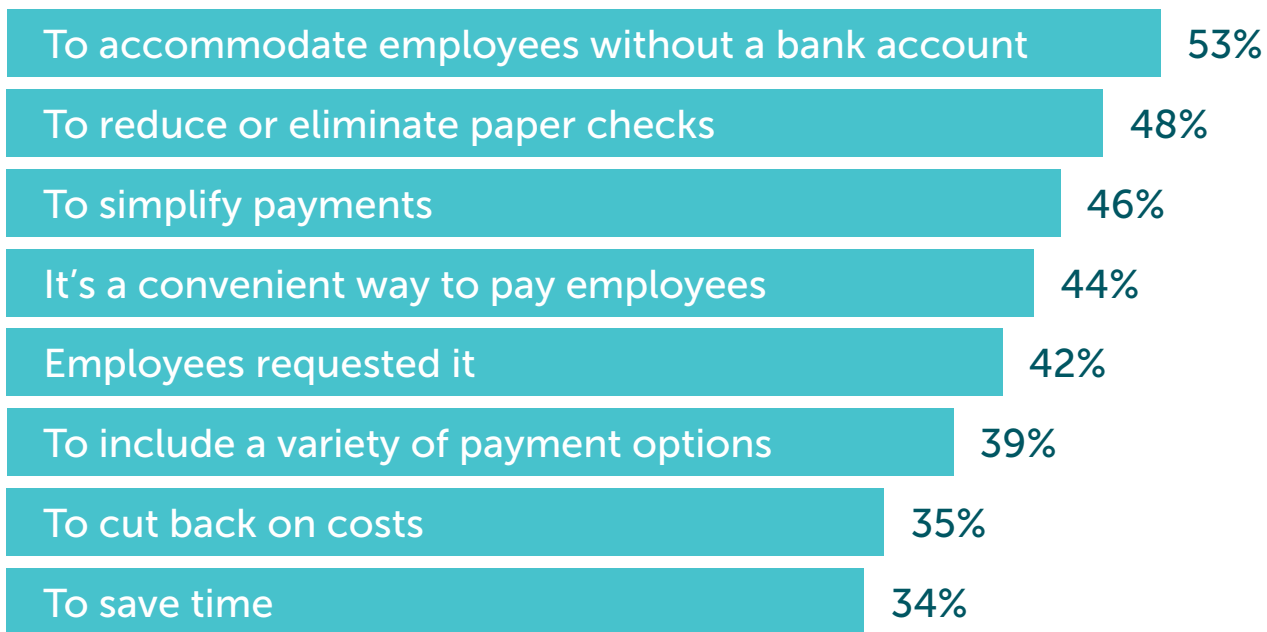
Peace of Mind

Paycards offer peace of mind that money will be distributed, regardless of location or time. Inclement weather has no impact and the problem of lost or stolen checks is eliminated.

Reduced Payroll Costs

One of the main reasons employers implement a paycard program is to actualize the cost-saving benefits. According to a recent Visa® survey, 35 percent of employers who implemented paycards stated the primary motivation was to reduce payroll-processing costs. See our graph on the next page for more.

LEADING REASONS FOR IMPLEMENTING A PAYROLL CARD PROGRAM



Visa® 2017 Payroll Card Program Employer Research Survey

ANOTHER PAY OPTION FOR EMPLOYERS

Paycards are a great option for businesses that aim for 100 percent paperless payroll. Visa® determined that the potential to achieve 100% electronic pay was the number one benefit employers cited for implementing paycards.

TOP PERCEIVED BENEFITS OF PAYCARD PROGRAMS



Convenience: Potential to achieve 100% electronic pay and similar process as setting up an employee on direct deposit



Money Saving: Reduces costs associated with paper checks (postage/processing) and provides an easier way to do payroll



Timely: Delivers pay to employees on time



Helps Employees: Provides employees with easy access to their money, increases satisfaction and improves productivity



Security: Reduces fraud caused by lost or stolen checks

Visa® 2017 Payroll Card Program Employer Research Survey

Many employers are required by state law to issue final paychecks for terminated employees on their last day. By utilizing an electronic means of issuing final paychecks, additional costs are avoided, such as printing a paper check and overnight shipping.

Federal and State Regulations

Employers wanting to implement paycards into their paperless payroll strategy need to be aware of federal and state regulations to ensure compliance. For more information on paycard laws by state, check with your [state department of labor](#). According to the American Payroll Association, 28 states now recognize payroll cards as a valid payment method in either their state code or regulations. In most of the remaining states, payroll cards have been recognized as a form of direct deposit and have adopted enforcement positions. Alabama, Louisiana, and Mississippi do not regulate wage payments at this time.

PAYCARDS MARKET PENETRATION

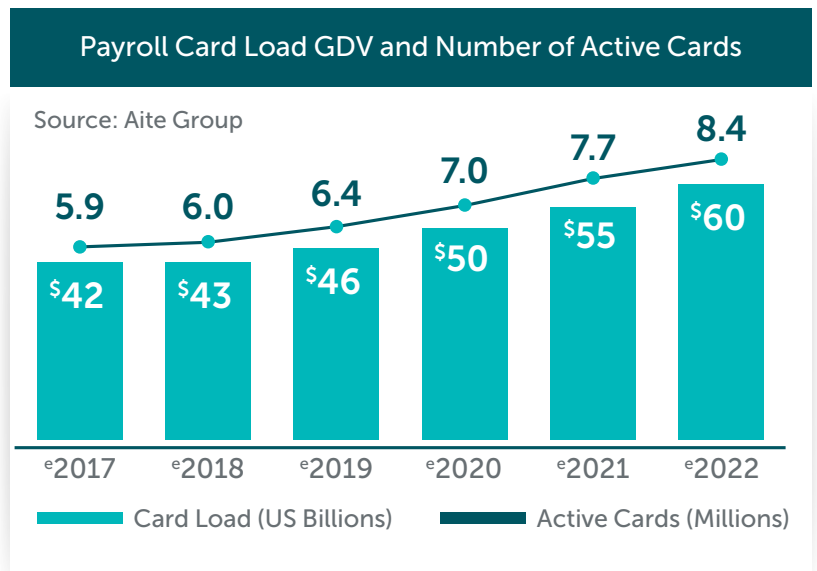
According to Aite Group, payroll card gross dollar volume is forecast to grow at a CAGR of 7% through 2022 and is expected to reach \$60 billion in paycard loads along the way.

Employees Who Bank Also Use Paycards

While many banking employees now use direct deposit to streamline the process of receiving their paychecks, they are also utilizing paycards. Employees with bank accounts typically use a paycard to split pay, so that some of their wages go onto the paycard. Split pay is used for reasons like designating a portion of their wages to a vacation or holiday account.

Consider Paycards for 100% Paperless Payroll

If your company is not currently using paperless payroll to handle wage distribution, now is the time to conduct research and present a case. The benefits far outweigh the implementation process and, if handled with management support and open communication with employees, will continue to provide benefits down the road. **For more information on paycards and paperless payroll, talk to one of our APS experts.**



Sources

Visa® 2017 Payroll Card Program Employer Research Survey

[FDIC 2017 National Survey of Unbanked and Underbanked Households](#)

[State Labor Offices](#)

[American Payroll Association](#)

[Aite Group 2017 U.S. Payroll Card Market Overview](#)



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