

Did you know?

- > Payroll cards are suitable for any size organization.
- > Employees own the cards and hold the relationship with the provider, so employers hold no liability associated with the card as long as they work with the issuer in cases where the employee will no longer receive pay on the card and wants to close it.
- > Payroll card providers offer turnkey programs, requiring minimal administrative overhead for employers.
- > Payroll card providers offer an abundance of educational materials and support to facilitate introduction of payroll cards to your employees.

Is it time to consider Payroll Card as part of your payments initiative?

Payroll cards have been available for well over 20 years, but until recently adoption has been slow. A payroll card is issued to an employee through a financial institution on behalf of his or her employer. The employee's net pay is electronically loaded via ACH onto the card each pay period. The employee can then use the card just as they would any debit card to make purchases, withdraw cash from an ATM and get cash back on purchases. The employee can also manage the card online and review their transaction history, just as with a credit card or online banking.

Employer and employee benefits

Electronic wage payment by payroll card offers multiple benefits to employers and employees alike. For employers, payroll cards reduce costs associated with check processing, reconciliation, and replacing lost or stolen checks. The Electronic Payments Association estimates that employers can save between \$2.87 and \$3.25 per payment by using direct deposit rather than paper checks. That savings grows significantly over time.

Payroll cards may be issued instantly to employees allowing employers to maintain a supply of cards onsite. Another benefit is that off-cycle wage payments may be made in real time. This serves to ease compliance with state wage-payment statutes requiring immediate payment in the event of termination.

Historically, employers have had difficulty in extending the benefits of electronic payroll to employees across the board due to some employees' lack of a deposit account. Payroll cards overcome this obstacle by enabling electronic payroll to be deposited for all employees. Even your employees who do not have a bank account can enjoy the protections that payroll cards provide, avoid carrying large amounts of cash, pay bills online and make online purchases. Online card management also allows these employees to track and prioritize spending.

Why a payroll card program? Why now?

Recently, Steve Syfert, a Regions Treasury Management officer located in Memphis, Tennessee, visited with a Regions client whose goal was to promote greater efficiencies and reduce expenses across a still-growing business. In partnering with this client, Steve was able to uncover an opportunity to review their payroll process for cost savings.

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Utilizing Regions' CashCOR analysis to examine and discuss the client's payables, including their payroll process, he discovered that the company was distributing paper payroll checks on a weekly basis costing \$4,000 per month in FedEx delivery expense. In reviewing with the controller another monthly expense, check stock cost, was also considered. As a result, another \$2,000 savings opportunity was identified, for a total cost reduction of \$6,000 per month. Additionally, the company benefited from establishing a paperless pay policy thereby reducing the company's exposure to potential fraud.

Payroll card regulation changing

Payroll cards are regulated by state wage payment statutes and most recently by Federal Reserve Regulation E. Currently, more than half the states allow employers to require employees to receive their pay electronically. According to the American Payroll Association, many states permit employers to eliminate paper checks by giving employees the choice of receiving wages by direct deposit or by payroll card. These states include Alabama, Indiana, Kentucky, Louisiana, Mississippi, Texas, North Carolina, Missouri, Florida and Iowa.

While a few other states still prohibit employers from requiring direct deposit as the only means of paying employees, a large number of workers who do not have a traditional bank account view a payroll card as a convenient alternative.

These payroll cards afford the employee Reg. E protection, limiting cardholder liability where a card is lost or stolen and used fraudulently. It also requires that all card terms, conditions and fees be clearly disclosed and that card issuers provide employees with frequent statements showing all cardholder activity. Fees for overdrafts are also prohibited without prior consent in accordance with Reg. E.

The significant costs savings and many other benefits, along with enabling state regulations over the last decade, can make payroll cards an important tool in your electronic wage-payment program. Further, payroll cards deserve serious consideration for companies, both small and large, still issuing payroll via check. ▲