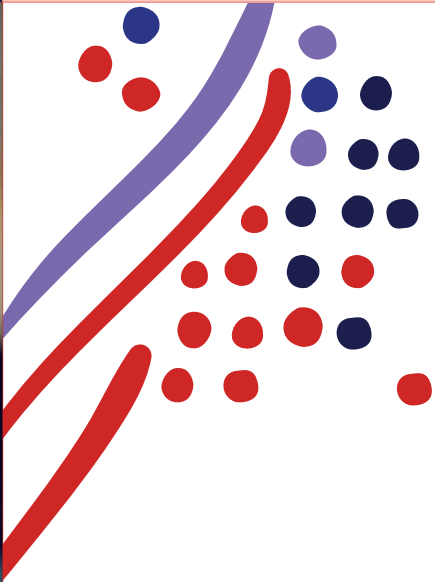


# Employer Pay Card Guide



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# Introduction to pay cards

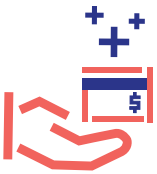
A pay card is a prepaid, reloadable card, similar to a debit card, that employee wages can be loaded to each pay period.



Payments are loaded electronically and employees need only to activate the card to receive their wages. Access to funds is immediate.

Pay cards are issued by a bank, with a license from Visa or MasterCard, and can be used for cash withdrawals at ATMs, bill payments and wherever credit and debit cards are accepted.





## The benefits of pay cards for your employees

### Accessible to everyone

The [\*2017 FDIC National Survey of Unbanked and Underbanked Households\*](#), estimates that roughly 8 million households in the U.S. don't have a bank account (unbanked) and another 24 million households are underbanked, meaning they have an account but also use financial products outside the banking system.

According to the study, the top reasons that employees are unbanked include not having enough money to keep in an account, a distrust of banks and bank account fees being too high.

U.S. employees without bank accounts often pay charges of \$5 or more to cash each paycheck and can also pay fees to check-cashers and bill payers. Pay cards can help employees avoid these expenses.

### Prompt, reliable payment

Unlike paychecks, pay cards are never affected by postal delays or the inability to get to a bank or check cashing service.

### Convenient access to funds

For people who don't have a debit or credit card, pay cards offer similar conveniences. Employees can use them to shop and pay bills online, withdraw money from ATMs, make purchases at point-of-sale machines, book travel reservations and more without having to carry large amounts of cash. These transactions may be subject to additional fees though.

## Choice of pay method

Personalizing compensation and benefits lets employees know that you care about their individual needs and preferences. Even to those who have bank accounts, choice of pay method can differentiate you from competitors.

As much as you may like to personalize pay, however, some rules apply. [Regulation E](#) states that employers can't mandate the use of pay cards. So, if you offer them, you're required to provide an alternate form of payment. In addition, many state departments of labor have their own laws about which methods of compensation are permissible.

## Financial tracking and budgeting

Some pay cards allow employees to track spending through a mobile app or website. They can view balance information, review charges and even set a low-balance alert to help manage spending. Employees with bank accounts can also elect to put a percentage of their pay each pay period into a bank account (via direct deposit) for savings and the rest onto a pay card for spending.

According to a study released by Morgan Stanley and conducted by the Financial Health Network, "financial wellness programs reduce employee stress, improve retention and engagement and help a company stand out in the marketplace."<sup>1</sup>

Offering the choice of pay cards can give you a recruitment and retention advantage and lead to improved employee performance.

## Security and fraud protection

The Electronic Fund Transfer Act (EFTA), also known as Regulation E, is a federal law that protects consumers when they transfer funds electronically. This includes pay and debit cards, automated teller machines (ATMs), and electronic withdrawals from a bank account. EFTA explains how consumers can report errors and lost or stolen cards to limit their fraud liability and recoup penalties charged mistakenly.



## The benefits of pay cards to your organization

### Cost savings

The [Association for Finance Professionals](#) estimates it costs employers \$3 on average per paper check, including printing and distribution. You can reduce this by offering pay cards to your employees.

For a more detailed breakdown of how much you can save with a pay card program, use our [Employer Paycard Savings Calculator](#).

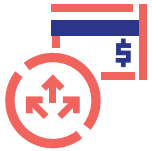
### Increased employee engagement

Flexible pay options provide a recruitment and retention advantage.

**47%** of Gen Z workers and **31%** of millennials said they would turn down a job if they couldn't choose their method of payment, according to ADP's proprietary research, [Paycards: Generational Trends Shaping the Future of Worker Pay](#).

By not including alternatives to checks and bank direct deposit, your organization risks missing out on talent.





## Pay card challenges

### Fees

Since the introduction of pay cards, there has been much discussion about best practices and ethical administration, particularly as it applies to fees. Users may be charged for monthly maintenance, ATM and point-of-sale use, replacement of lost or stolen cards, and balance statements. Fees will vary depending upon the provider and the state in which the card is issued.

To provide some oversight, the Consumer Financial Protection Bureau (CFPB) created its prepaid rule<sup>2</sup>, which requires you to disclose applicable fees and other details to employees who choose to be compensated by pay cards. The guideline further states that you can't force employees to receive their pay via pay card.

### Employee adoption

If you set up pay cards, don't forget about employee training.

**“** You can't just give employees pay cards and hope they will figure everything out on their own,” says [George Mavrantzas, Vice President of Strategy and Thought Leadership at ADP](#). “If an employee makes a mistake and gets hit with a fee, they might switch back to paper checks, even if the pay card was an overall better option. **”**

A quality pay card provider should be able to assist with your employee training so you can achieve high adoption rates and help ensure that employees are happy with their choice to use pay cards.

In addition, many pay card vendors offer marketing materials to help communicate new pay card plans and encourage employee adoption.



## Pay card best practices

If you offer pay cards to your employees, the following practices will help you comply with state and federal laws.

### Continue to offer multiple pay options

Federal regulations prohibit you from making pay cards compulsory. Make sure your employees can elect to receive their pay another way.



[Click here](#) to learn more about how pay cards can help attract and retain today's workers

### Seek to minimize fees

Selecting a pay card company with consumer-friendly fees can help ensure that your employees keep the maximum amount of their pay. It may also help drive adoption of pay cards and improve employee satisfaction.

### Disclose terms of uses

Provide comprehensive terms of use and rules for your pay card program and all other pay method choices that employees can easily find and understand.

### Comply with jurisdictional regulations

Multi-state employers must comply with varying state labor laws. Make sure that your pay card vendor can help you stay compliant with regulations and state laws where you operate now or may operate in the future.<sup>3</sup>





## Pay card implementation

### Startup costs

Initial costs for implementing pay cards at your company vary by provider, but the main cost is typically for employee education materials and startup kits.

### Implementation timeline

Most programs take only a few weeks to begin, but implementation times vary by provider.

Once you have chosen a pay card vendor and program, the vendor should supply you with introductory pay card information for your employees and appropriate disclosures and opt-in paperwork.

### Compliance responsibilities

Your responsibility for payroll tax and wage and hour compliance is the same as with any other payroll method.

In accordance with the Electronic Fund Transfer Act,<sup>4</sup> you cannot require that employees have an account at a certain financial institution in order to receive their pay or use a pay card.

Because states govern wage and hour laws, you should also be aware of jurisdictional requirements in the states in which your business operates. Again, however, these rules are the same for all electronic pay methods.

### Managing your pay card program

If you decide to offer pay cards as a payment choice in your organization, you will need to manage certain aspects in-house, including introducing and educating employees on the pay card program you choose, keeping records of employee payment method selections, and designating someone to handle any employee questions that arise.

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## Introducing pay cards to your employees

You can roll out your new pay card program through your regular channels of communication. Following are some best practices and key items to address:

- Check requirements in the states where you operate to ensure compliance. For example, in Georgia, employees must be notified a minimum of 30 days prior to an employer implementing a pay card program.
- Test the pay card first with a small pilot group, such as with the group that will be managing implementation and employee education, so they can provide first hand knowledge.
- Have a communications plan ready prior to launch. Get the right internal stakeholders on board with the program and announce and promote it broadly and consistently, in collaboration with your marketing and HR teams if possible.
- Make adoption easy. Launch your pay card program at a time when there aren't other high-priority initiatives that might compete for attention. Provide clear and concise enrollment materials to your employees and make sure they know who to go to for support and questions.
- Ensure continued support for your pay card program by including it in welcome information for new-hires and in annual open enrollment materials.

## Employee training

Educating employees on proper implementation and use of their pay cards will help drive adoption and success of your pay card program. The pay card vendor you choose may have employee education materials that you can use.

Training should be available to cover the following topics:

- Getting started: Opting in to receive wages on a pay card, setting up your online account and mobile app, if applicable
- Basics on how to access funds, withdraw cash, pay bills, transfer funds and check balance
- Overview of potential fees and costs
- Security and fraud protection
- Who to contact for help, at both your organization and at the pay card vendor
- How to change to a different payroll option, if desired



## Next steps

When you're ready to consider pay cards for your organization, you have a variety of vendor options. Your current payroll provider is a perfect place to start. If they don't offer pay cards, prepare a list of requirements to help you evaluate new vendors. Look for insurance, security, compliance support, an implementation plan, employee training programs, pay card marketing and any other support needed to meet your goals and challenges.

The Wisely Pay™ prepaid card and debit VISA or Mastercard are issued by Fifth Third Bank, N.A. Member FDIC, pursuant to a license from Mastercard International or Visa U.S.A. Inc. The Wisely Pay™ prepaid card can be used everywhere Debit VISA or Mastercard is accepted. The Wisely™ Direct card is issued by Fifth Third Bank, N.A. Member FDIC, pursuant to a license from Mastercard International. The Wisely™ Direct card can be used everywhere Debit Mastercard is accepted.

1. [Better for Employees, Better for Business: The Case for Employers to Invest in Employee Financial Health, Financial Health Network, May 2019.](#)
2. [CFPB Finalizes Changes to Prepaid Accounts Rule.](#)
3. [Thinking About Using Payroll Debit Cards? Read This First , SHRM, 2018.](#)
4. [FDIC Law, Regulations, Related Acts.](#)

To learn more about ADP's pay card program,  
Wisely™ Pay visit:

[adp.com/Wisely](https://adp.com/Wisely)



