

On-Demand Pay and Navigating Early Wage Access Laws and Regulations



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Speaker

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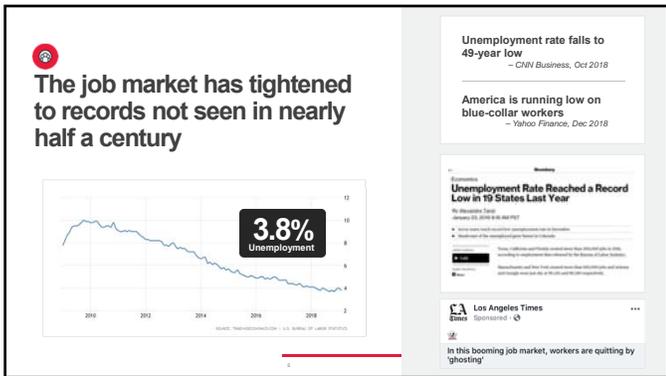
Our focus for today

- Today's Job Market
- Early Wage Accrual
- Next Generation Disbursements
- Through Simple Plug-n-Play Integrations(s)

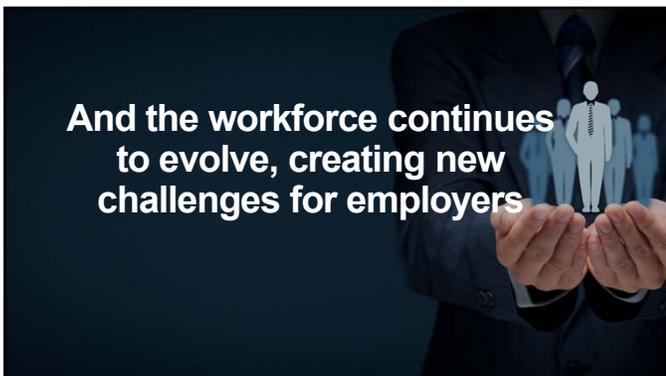
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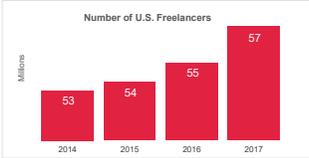
Living Paycheck to Paycheck is a way of life for majority of U.S. workers

CareerBuilder Survey Highlights:

- 78% of U.S. workers** live paycheck to paycheck to make ends meet
- Nearly 3 in 4 workers** say they are in debt today - more than half think they will always be
- More than half of minimum wage workers** say they have to work more than one job to make ends meet

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The number of freelancers is rapidly growing in the U.S.



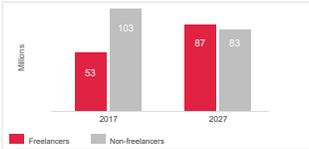
Key factors for growth

- Allow workers to decide when and for how long to work along with income diversification
- Technology reducing barriers to entry and enabling access to pay at the end of a shift
- More people choosing to or wanting to freelance full-time (rather than on a part-time basis)

Source: "Freelancing in America" study conducted by Edelman Intelligence commissioned by Upwork and Freelancers Union, October 2016

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Freelancers on track to outpace non-freelancers by 2027



Did you know?

- 36% of the current workforce are freelancers today**
- Almost half (47%) of working millennials freelance**

Source: "Freelancing in America" study conducted by Edelman Intelligence commissioned by Upwork and Freelancers Union, September 2017

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Millennials and Gen Z are becoming the workforce


By 2022, Millennials and Gen Z will represent 75% of the U.S. workforce


Half of them expect to leave their current job within a year

Millennials were born from the early 1980s to early 2000s, and Generation Z works from the mid-1990s to the mid-2010s.

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Now there's a way for you to **Reduce Payroll Costs** while offering innovative **Payment Benefits** to a changing workforce



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Early Wage Accrual as a Solution for Retention and Engagement

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UBER Integrated Early Access to Accrued Wages in 2016



Here's what Uber drivers are saying:

"Instant Pay cannot get any easier. This feature allows the driver to have more control of their finances."
-Eric, Uber Driver

"The Uber Debit Card is probably on of the best things that the company has done for drivers."
-Tony, Uber Driver

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SimplyPaid Uber Case Study

Uber drivers stay more engaged by cashing out their earnings on-demand to their existing bank debit card or GoBank account.



RESULTS

- 100% electronic pay solution, even for the unbanked
- Majority of eligible drivers use Instant Pay
- Millions of instant payments paid out monthly
- Billions of dollars delivered

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There is a powerful inequality in workforce pay timing



2 weeks

Workers who wait for regular pay cycles in a 9 to 5 job

vs



Instant

Those who freelance and are paid as they earn it

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Wage Advance – Key Decisions

"Key decision points when selecting a wage advance company are to determine who will fund the advance of wages and who will pay the fee to access funds early."



	Employer Funded	Provider Funded
Employer Paid	<ul style="list-style-type: none"> • Employer Funded • Employer Pays Fees 	<ul style="list-style-type: none"> • Provider Funded • Employer Pays Fees
Employee Paid	<ul style="list-style-type: none"> • Employer Funded • Employee Pays Fees 	<ul style="list-style-type: none"> • Provider Funded • Employee Pays Fees

Key Decision Points

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Early Wage Accrual

- Empower employees to choose how they want to get paid without additional work for the corporate payroll office
- Implement a financial management tool that replaces expensive alternatives such as payday loans, credit card advances, overdraft, or paying late fees
- Sway paper check hold outs to electronic payment to take advantage of the new benefit
- Deliver a benefit with no interest and no penalties

Did you know?

-25%
of employees would access on-demand wage payments during any given payroll.

-100%
Opt-in rate for payroll wage advance for persons under 30

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On-demand payment is an elected benefit

Employers are providing part of the wages for a period of days, so the process does not change employers' compliance responsibility or the wage cycle



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Unlock early wage accrual to drive recruiting and retention,
especially in a tight labor market

Employer benefits

- Increase job applicants **+30%**
- Improve employee retention **+20%**
- Lower workforce absenteeism **-40%**

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Best practice: How it works

- Corporate payroll office requirement is only a daily file interface
- Interfaces with payroll and time/labor systems to track and value accrued labor, eliminating risk
- Policies govern access amount and frequency
- Employees access accrued wages instantly, via mobile app, web or telephone
- Funds are deducted from subsequent payroll deposit

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Early wage accrual additional considerations

- Responsibility falls to the employer because the employer is contracting with a third party who is providing the service on the employer's behalf.
- Is there a contract with the employer or a third party independent of the employer?
- If a third party is floating funds to employees, is it stress tested?
- Are you offering pay choice with multiple ways for employees to access their money?
- Are advances in the paystub or are they submitted and netted out and reported to the employee

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Known unknowns

- Products and demand are ahead of the regulations, so no defined case law or guidance from the Labor Department or Internal Revenue Service are available
- Federal and state regulatory guidance is sparse with regard to what on-demand pay is and to what extent such pay makes up wages, and how taxes, wage and hour requirements, and child support are handled



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Known unknowns

- No industry norms appear to exist regarding the extent to which on-demand pay should be recorded on a wage payment stub
- On-demand providers are actively engaged with the IRS and states through the Labor Department, and the agencies are willing to accept questions and opinions



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Next Generation Disbursements & Payments



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Today's workers, particularly younger generations, expect to find modern payment options that mirror how they move money in our digital world as part of the benefits package of prospective employers

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What are Next Generation Payments?

- Fintech that enables payments to any debit account, along with tracking, reporting, and security
- Work with current payroll cards or other disbursement vehicles
- Easy to send daily files, no complicated integration is required



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fin·tech
/fin_tek/

Financial Technology, nowadays better known under the term 'fintech', describes a business that aims at providing financial services by making use of software and modern technology.

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A disbursements platform made for today's workforce

- Empowers employees to get paid **HOW** and **WHEN** they like
- Enables 100% electronic payments with full disbursement compliance and consent tracking for employers
- Drives employee engagement with early access to accrued wages

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Through Simple Plug-n-Play Integration(s)

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Through Simple Plug-n-Play Integration(s)

- Next generation payments work seamlessly with existing payroll systems
- Employers can electronically pay 100% of workers
- Workers can decide **HOW** and **WHEN** they want to receive their pay

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A Disbursement Platform, Not a Payroll System

- Next generation payments are disbursement platforms for payroll delivery and complement payroll systems and do not replace them
- The platform integrates with electronic payroll systems to enable electronic disbursement of funds

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9 A single platform for employer payout needs

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Compliance and Consumer Protection is Critical

Protecting employees ultimately protects and elevates the business

Proper payouts protect the business

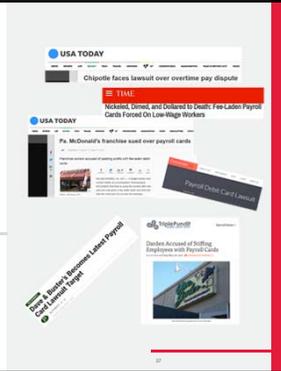
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Compliance and Consumer Protection is Critical

Protecting employees ultimately protects and elevates the business

Consumer and employee transparency is a regulatory requirement

- Tracking consumer, employee selection, and consent protects the business and the bank
- Providing a banked option to the unbanked delivers value to the community and is a goal of bank regulators

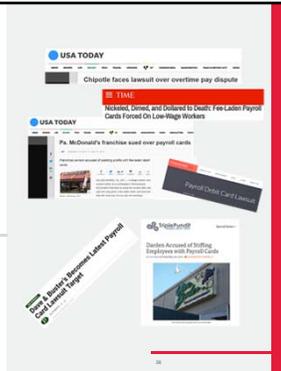


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Compliance and Consumer Protection is Critical

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Employee satisfaction is derived by delivering easy sign-up, choice, and a great user experience

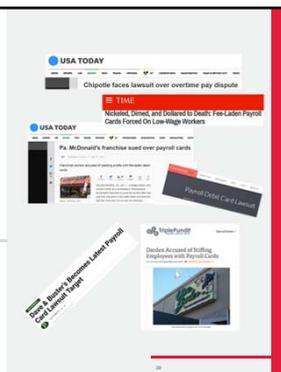


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Extensions to offer wage advance and daily tip payout are important value-added opportunities



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Value to Employers

<p>Save Time Faster Payment Deliveries – Instant Cashless Tip Payout at end of shift. Easy integration Efficiencies with single platform for all payouts</p>	<p>Save Money Paperless cost savings for W-2 & 1099 workers. Avoid fees to execute pay corrections Potential for later funding of payroll, upon approval</p>	<p>Save Labor Efficient, instant handling of tips, term pay, and corrections Reduce risk with cashless, 100% digital Instant payment of tips Single pay file for all payouts</p>	<p>Delight Staff Fully paid tips at end of shift to same account as direct deposit Flexibility and choice in how to be paid</p>
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Questions?



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Thank you

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 DISBURSEMENTS

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