



Next Generation Payments and Disbursements

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SVP of Wage & Disbursements



Agenda

- 1** Today's Job Market

- 2** Employees Point to Benefits as a Solution for Retention and Engagement

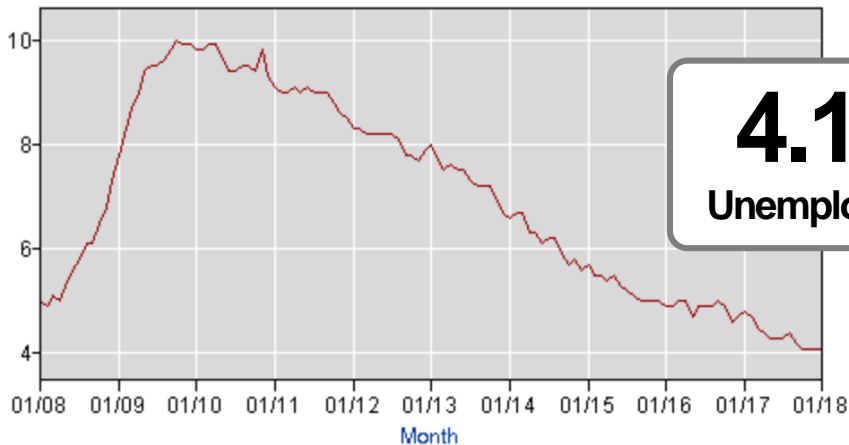
- 3** Next Generation Payments & Disbursements

- 4** Through Simple Plug-n-Play Integration(s)



TODAY'S JOB MARKET

The Job Market is Tightening



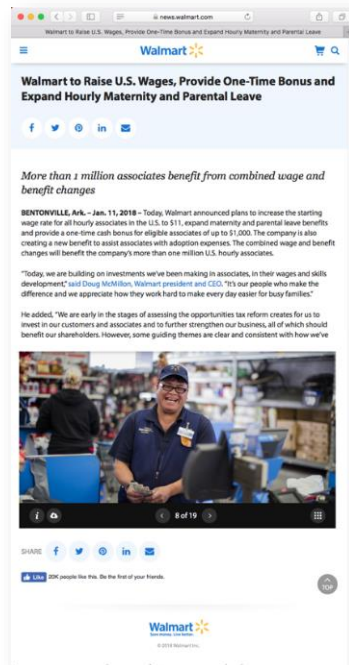
4.1%
Unemployment

Unemployment at 17-year low & U.S. jobless claims near 45-year low.

– Reuters Feb 2018

<https://data.bls.gov/timeseries/LNS14000000>

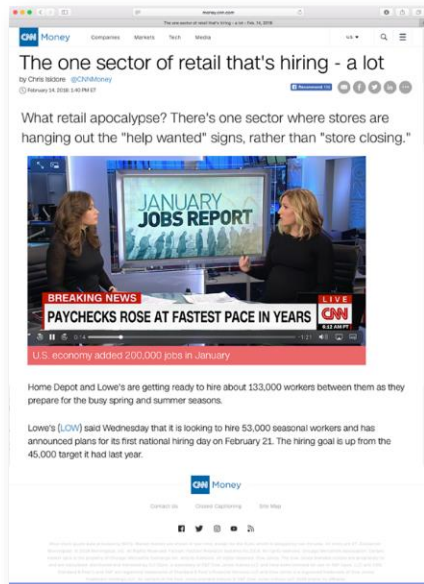
Walmart is Increasing Pay



Walmart announced plans to increase the starting wage rate for all hourly associates in the U.S. to \$11, expand maternity and parental leave benefits, and provide a one-time cash bonus for eligible associates of up to \$1,000.

- Jan 2018

Home Improvement is Hiring



The Home Depot said on it would hire 80,000 season workers for its peak season, equivalent to adding 20% to its workforce. While Lowe's said it would hire 53,000 temporary staff.

- Feb 2018

Turnover is Taking a Toll



- The cost of the work that isn't getting done when an employee is missing
- Co-workers not being able to work to their full potential because they're picking up the slack from missing employees
- A loss of credibility for management when a work environment has a reputation for excessive turnover and employees grow discouraged that they will thrive there

- Feb 2018

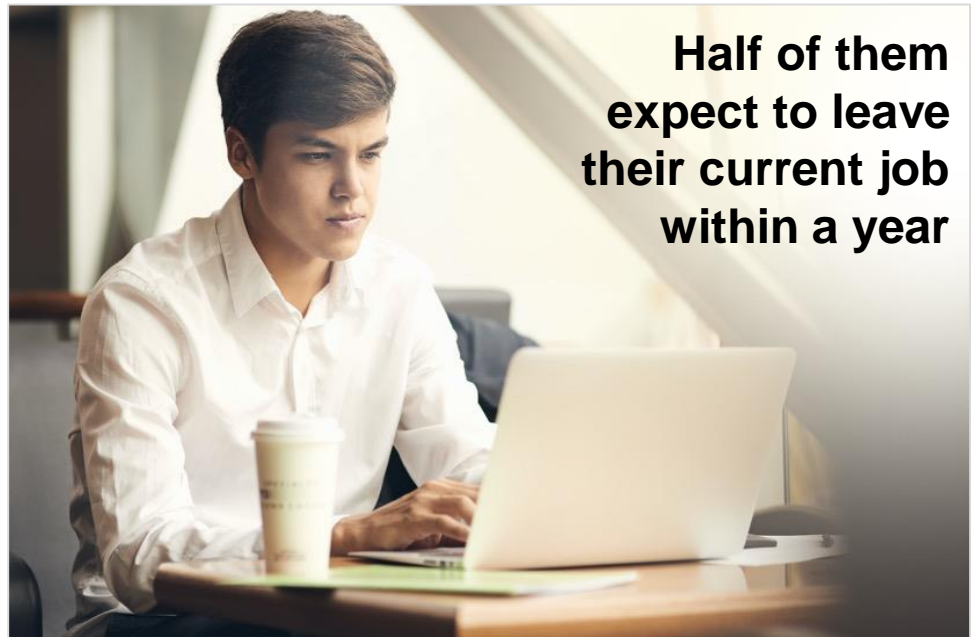
And the Workforce Continues to Evolve, Creating New Challenges for Employers

Millennials ARE the Workforce

**By 2020,
Millennials will
represent nearly
half of the U.S.
workforce**



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



Employees Point to Benefits as a Solution for Retention and Engagement

The majority of employees say **BENEFITS ARE VERY IMPORTANT** to their job satisfaction and the ability to **CUSTOMIZE** their benefits would increase loyalty to their employer.

**And the workforce continues
to evolve creating new
challenges for employers**



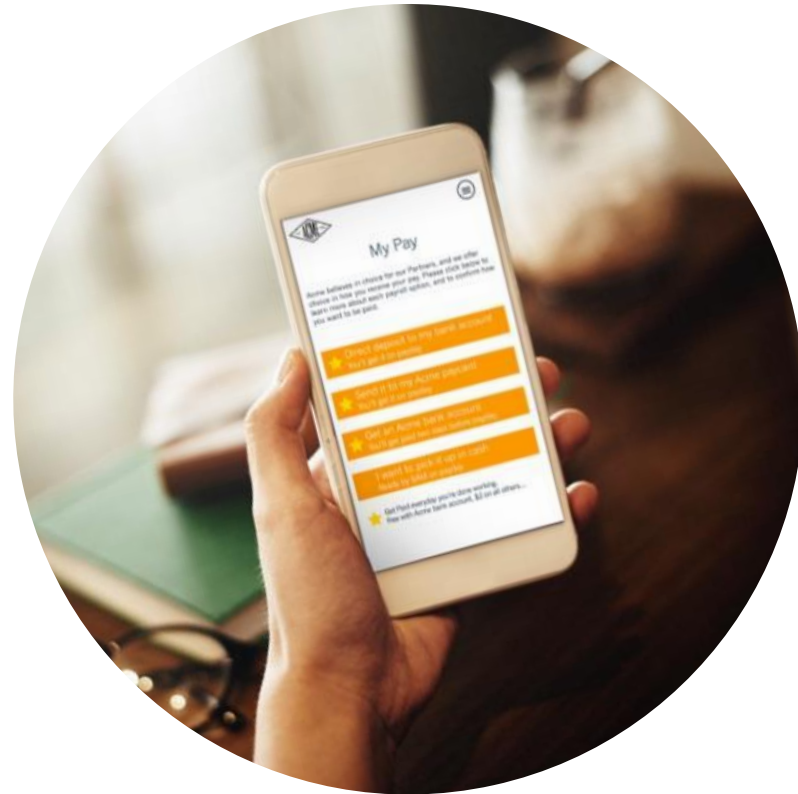
Now there's a way for you
to **REDUCE PAYROLL
COSTS** while offering
innovative **PAYMENT
BENEFITS**
to a changing workforce.



Next Generation Payments & Disbursements

Next Generation Payments is Fintech Made for Today's Workforce

- Empower employees to get paid **HOW** and **WHEN** they like
- Enable **100% electronic payments** with **full consent tracking** and **dedicated risk and compliance teams** for employers
- Driving employee engagement with **early access to accrued wages**



UBER Integrated Next Generation Payments 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 one of the best things that the company has done for drivers.”

- *Tony, Uber Driver*

SimplyPaid Uber Case Study

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



RESULTS

- **100% electronic pay** solution, even for the unbanked
- **Majority of eligible drivers use Instant Pay**
- **5+ million instant payments paid out monthly**
- **Over \$4 Billion delivered**

The World is Ready for On-demand Payments

- Advances in technology are driving an unstoppable shift to an on-demand culture
- The nation's largest employer now offers wage advances
- Businesses must adopt modern payment solutions or get left behind by the competition



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



Through Simple Plug-n-Play Integration(s)

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

A Disbursement Platform, Not a Payroll System

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



A Single Platform for Employer Payout Needs

| | | | | | | | |
|-----|------|------|-------|-----------|--------------------|--------------------|----------------------------|
| W-2 | 1099 | Tips | Bonus | Education | Travel expenses | Termination Pay | Missed Pay, Corrections |
|-----|------|------|-------|-----------|--------------------|--------------------|----------------------------|

Early Access to Accrued Wages

Next generation payments empower employees to get paid **HOW** and **WHEN** they want

- Employees are empowered to choose how they want to get paid without additional work for the corporate payroll office
- Corporate payroll office requirement is to only provide a daily file interface
- Unlock early wage accrual access benefit for employees to drive recruiting and retention

Early Wage Accrual Access Disrupts an Existing Market and is a Highly Desired Employee Benefit

Current short-term credit products are costly and widely used

Fees & Interest Paid¹

\$50_B

US Households with Short-Term Credit²

19MM

¹ Community Financial Services Association of America

² 2016 Financially Underserved Market Size Study, Center for Financial Services Innovation

Early Wage Accrual Access Disrupts an Existing Market and is a Highly Desired Employee Benefit

Early wage accrual access is considered a financial management tool that replaces expensive alternatives

- Early access to wages has become the new highly desired employee benefit, especially for hourly and gig workers
- Early wage accrual access allows employees to access a portion of their earned wages before payday

Early Wage Accrual Access Disrupts an Existing Market and is a Highly Desired Employee Benefit

Early wage accrual access is considered a financial management tool that replaces expensive alternatives

- The opt-in rate for payroll wage advance for persons under 30 is nearly 100%. Total employee enrollment from 20-25% and up.
- Payday lending is expected to drop 55% in loan volumes due to CFPB regulations—driving greater adoption of wage advance.

Early Wage Access Market Sizing

Approximately 73 million adults, are either finding it difficult to get by or are just getting by financially

Despite modest improvements in financial well-being in 2016, three out of ten adults still report that they are either finding it difficult to get by (9 percent) or are just getting by (21 percent) financially.

- Approximately 73 million adults are struggling to some degree to get by.

Early Wage Access Market Sizing

Approximately 73 million adults, are either finding it difficult to get by or are just getting by financially

This level of financial stress is not uniform in the population. Single parents, racial and ethnic minorities, and respondents with lower levels of income or education are disproportionately impacted and have some level of difficulty getting by financially.

(see Table 2 for additional details)

Table 2. Overall well-being (by demographic characteristics)

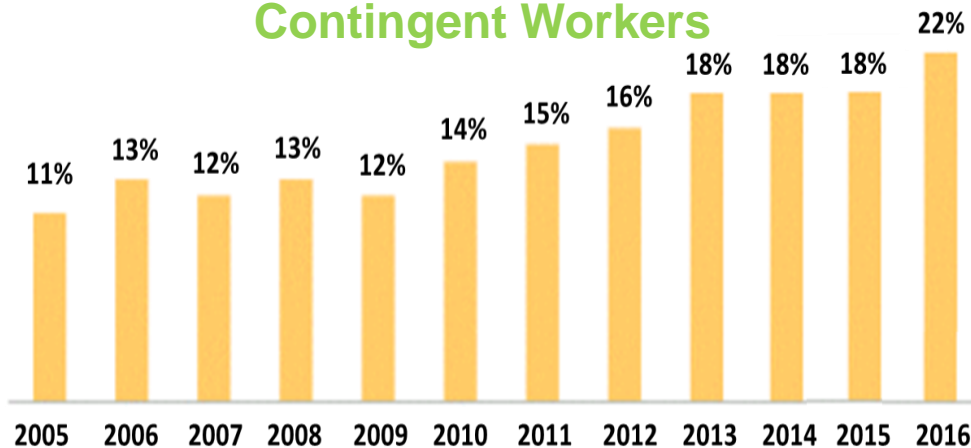
| Percent | | |
|---------------------------|---|----------------------------------|
| Characteristic | Finding it difficult to get by or just getting by | Doing okay or living comfortably |
| Family income | | |
| Less than \$40,000 | 49.0 | 51.0 |
| \$40,000–\$100,000 | 23.7 | 76.1 |
| Greater than \$100,000 | 7.6 | 92.2 |
| Race/ethnicity | | |
| White, non-Hispanic | 27.8 | 72.1 |
| Black, non-Hispanic | 35.5 | 64.0 |
| Hispanic | 36.0 | 64.0 |
| Urban/rural status | | |
| Urban | 29.5 | 70.3 |
| Rural | 32.5 | 67.5 |
| Census region | | |
| Northeast | 30.4 | 69.4 |
| Midwest | 27.5 | 72.5 |
| South | 31.2 | 68.6 |
| West | 29.8 | 70.0 |

Source: Federal Reserve Report on the Economic Well-Being of U.S. Households in 2016

A Key Market for Early Wage Accrual, 1099 Workers Continues to Grow

The flexibility of the gig economy has made it an attractive option for a growing number of workers, and technological innovation is making it a reality for more jobs.

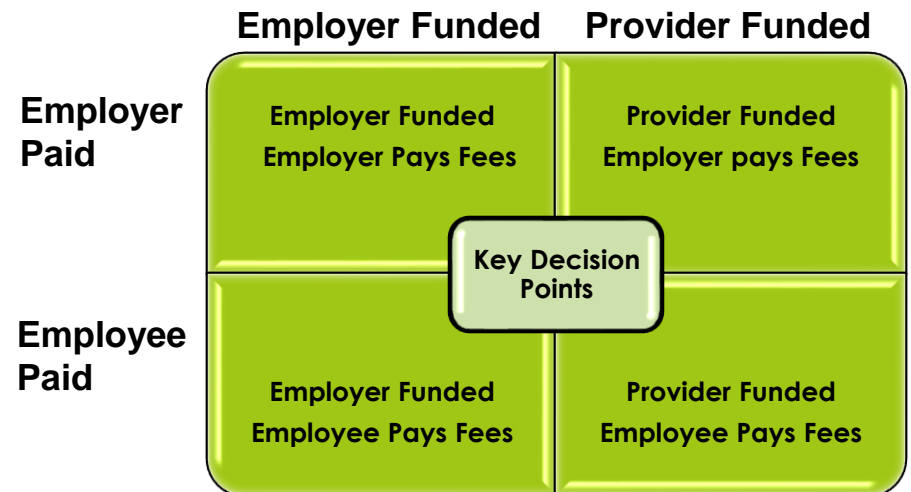
Percent of Workforce That are 1099 Contingent Workers



With more of the workforce in the 1099 economy, traditional employers have to compete.

Wage Advance – Key Decisions

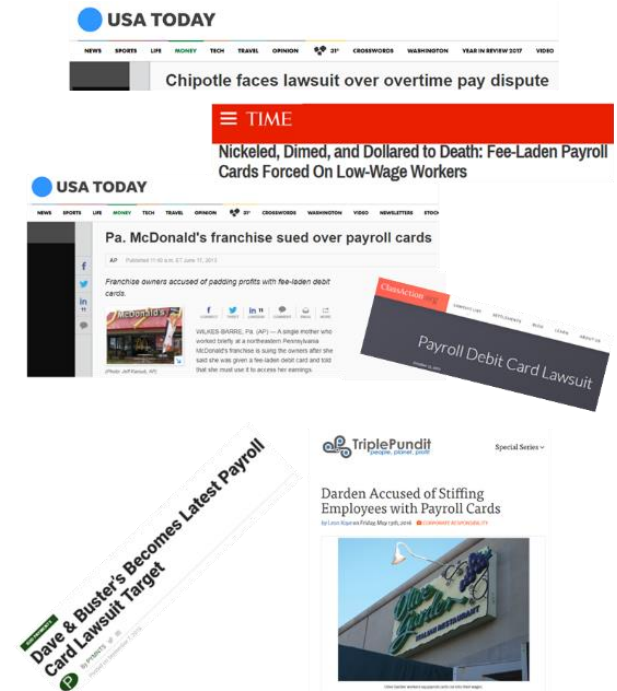
“ Key decision points when selecting a wage advance company are to determine who will fund the advance of wages and who will pay the fee to access funds early .”



Compliance & Consumer Protection is Critical

Protecting employees ultimately protects & elevates the business

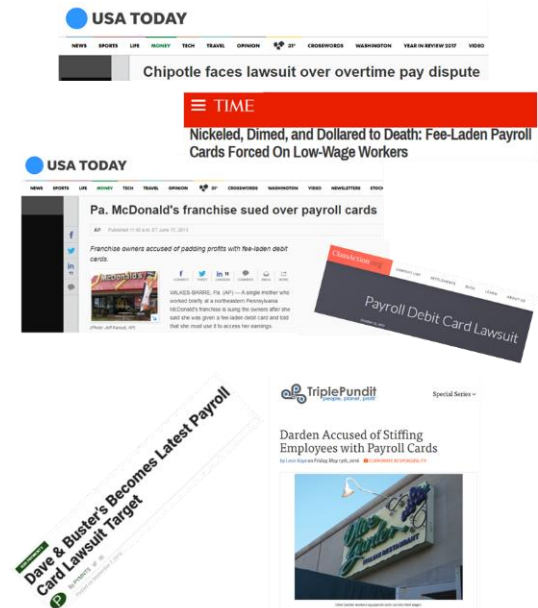
- Proper payouts protect the business
- Consumer & employee transparency is a regulatory requirement
 - Tracking consumer & employee selection & consent protects the business and the bank
 - Providing a banked option to the unbanked delivers value to the community & is a goal of bank regulators



Compliance & Consumer Protection is Critical

Protecting employees ultimately protects & elevates the business

- Employee satisfaction is derived by delivering easy signup, choice, and a great user experience
- Extensions to offer wage advance and daily tip payout are important value added opportunities



Value to Employers



Save Time

- Faster Payment Deliveries – **Instant Cashless Tip Payout at end of the shift**
- Easy integration
- Efficiencies with single platform for all payouts

Value to Employers



Save Money

- Paperless cost savings for W-2 & 1099 workers
- Avoid fees to execute pay corrections
- Potential for later funding of payroll, upon approval

Value to Employers



Save Labor

- Efficient, instant handling of tips, term pay, corrections
- Reduce risk with cashless, 100% digital instant payment of tips
- Single pay file for all payouts

Value to Employers



Delight Staff

- Fully paid tips at end of shift to same account as direct deposit
- Flexibility and choice in how to be paid

Living Paycheck to Paycheck is a Way of Life for Majority of U.S. Workers, According to New CareerBuilder Survey

Study Highlights:

- 78 percent of U.S. workers live paycheck to paycheck to make ends meet
- Nearly one in 10 workers making \$100,000+ live paycheck to paycheck
- More than 1 in 4 workers do not set aside any savings each month
- 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



Thank you