

A NEW LOOK AT EMPLOYEES AND PAY IN AMERICA:

Surprising discoveries about the attitudes and perceptions workers have toward pay and paycards by generation



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Global Cash Card

- ▶ Global Cash Card, Inc. was founded in 2002 and is headquartered in Irvine, California with sales offices throughout the United States.
- ▶ GCC strives to lead in the creation, development, and implementation of the industry's most advanced financial transaction processing and information technology systems.
- ▶ GCC operates in Visa/Mastercard certified operation centers with a primary network operations center in San Diego, CA and a secondary data center in Las Vegas, NV.
- ▶ GCC develops and owns the proprietary software that enables the products and services offered to customers through payroll, incentive, gift, travel and per diem prepaid cards.
- ▶ GCC is certified as a direct processor on multiple financial networks.



Visa Payroll Card

March 2016



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Prepaid Segmentation

Opportunities in the US exist among direct to consumer segments, corporate and government disbursement channels

CONSUMER

- General Purpose
- Gift
- Travel
- Parents of Youth/Teens
- Cross Border Remittance



CORPORATE

- Payroll
- Incentive / Rebate / Loyalty
- Commercial Spend
- Employee Benefits
- Health: FSA, HRA, HSA
- Insurance Claims
- Worker's Compensation



GOVERNMENT

- Child Support
- Unemployment
- Federal Benefits
- Tax Refunds
- Disaster Relief
- Foster Care
- Housing Authority



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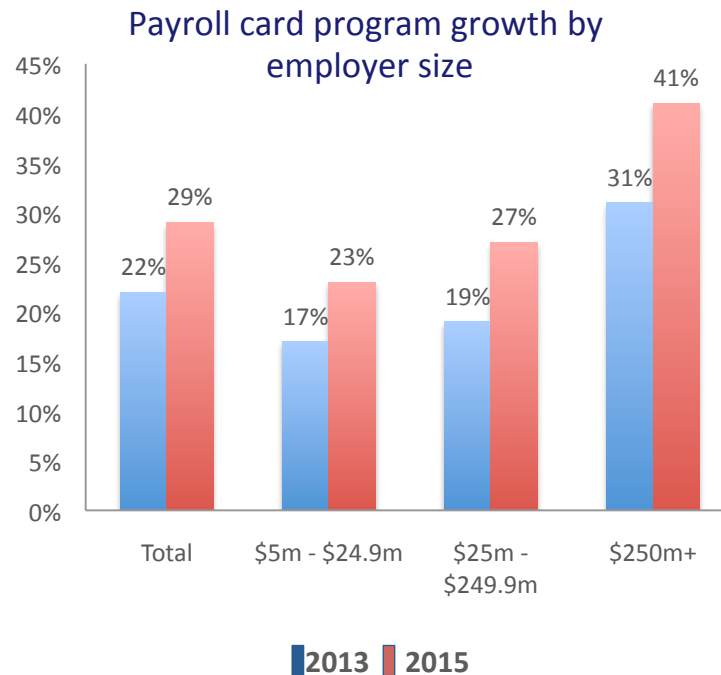


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Payroll

Visa Payroll continues to be the fastest growing prepaid product



- Despite regulatory and media challenges, the facts show that payroll 'works' for employers, consumers and partners.
- In our bi-annual employer research, we see employer adoption growing across all sized businesses
- From cardholder research, consumers tell us how the card helps them with their financial lives
- For the issuers/program managers, payroll performs well
 - High transaction approval rates
 - High signature volume growth

Source: 2015 Payroll Card Program Employer Survey Research Report. Statistically significant differences are denoted with an up or down arrow, 2013 vs. 2015.
2013 Total (n=420) ; 2015 Total (n =425)

By the numbers:

The unbanked/underbanked in the US



Number of unbanked and
underbanked customers

40M



Those who receive their
pay via paper check

25M



22%

Unbanked and underbanked customers



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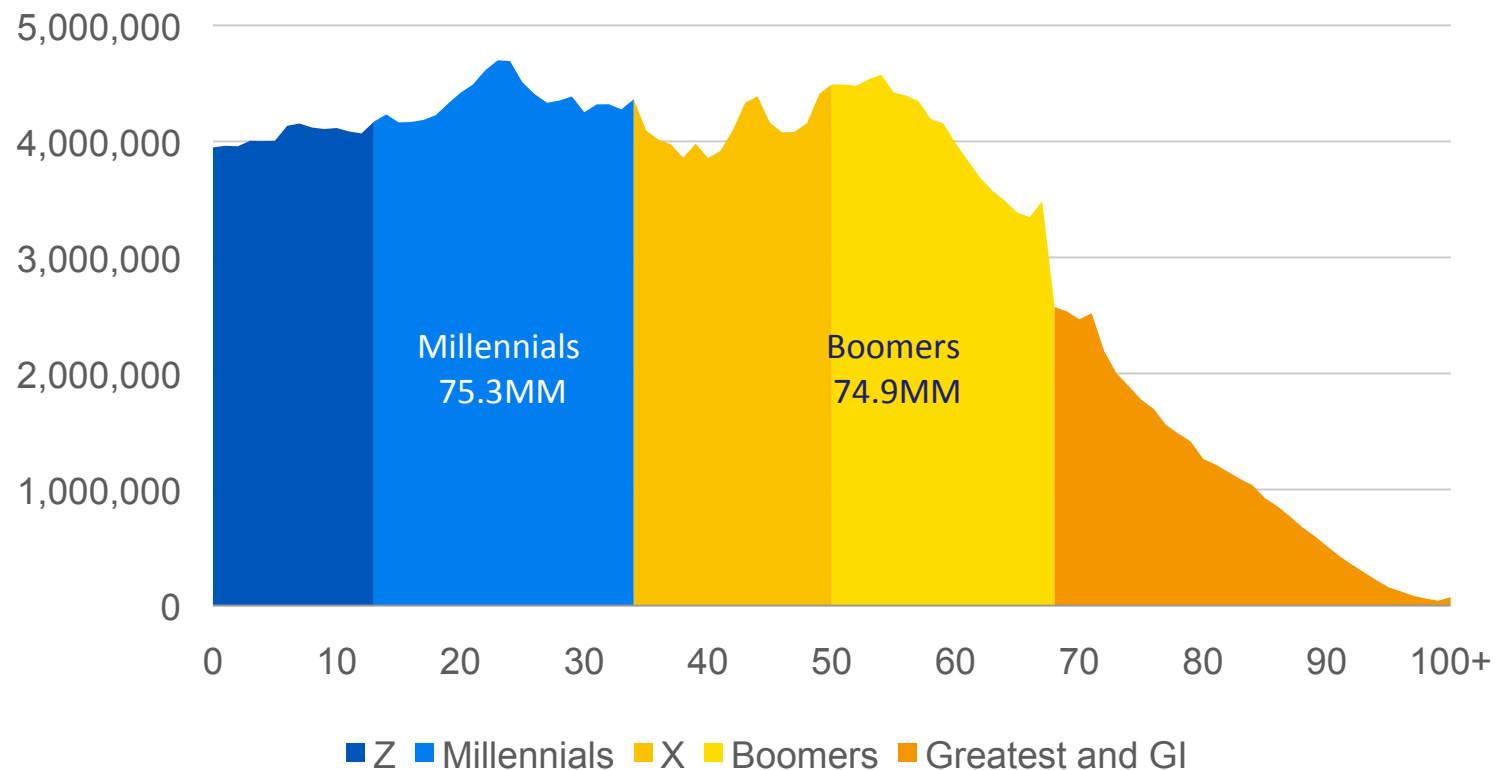


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Millennials: Segment Overview

Millennials, the cohort born between 1981 and 1997, make up the largest share of the U.S. population



Source: Pew Research Center, U.S. Census Bureau (December 2014).



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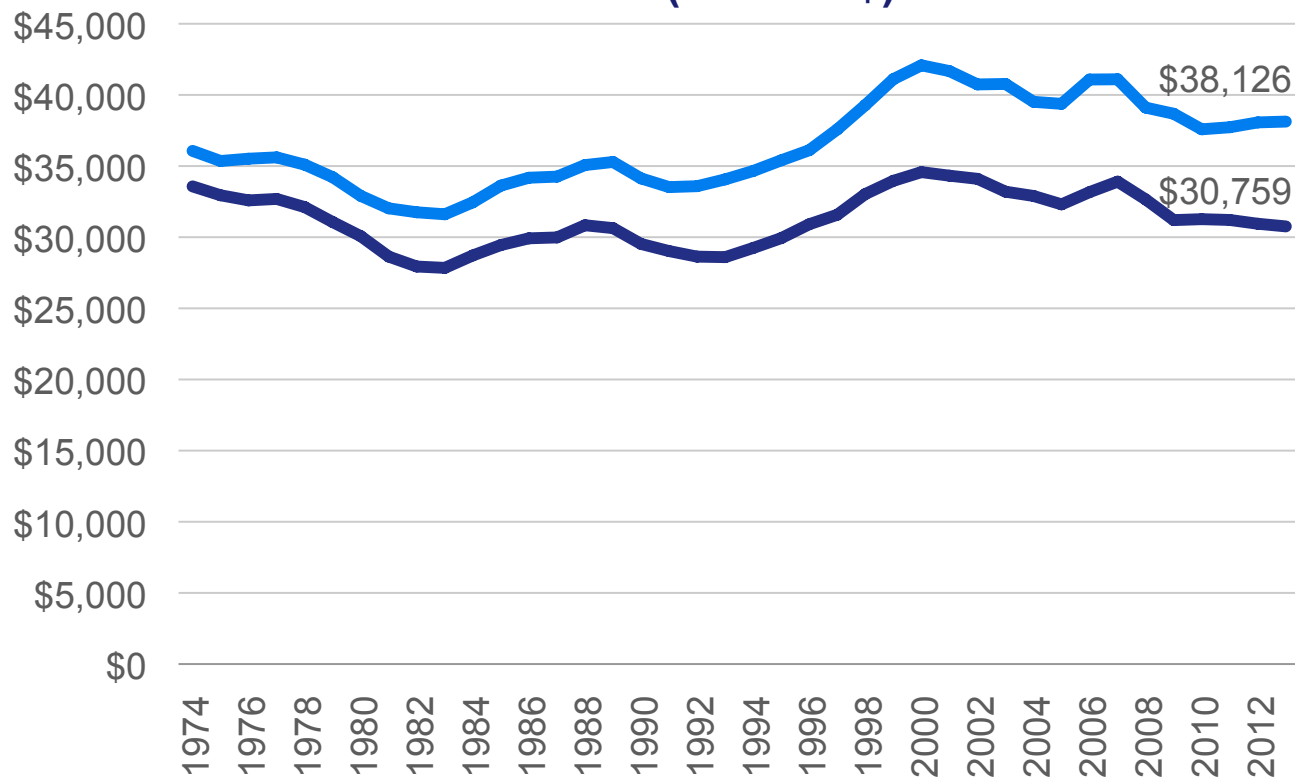
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Millennials: Segment Overview

On average, Millennials earn ~\$37K in annual income

Annual Income of 25–34 Year Olds Over Time (in 2013 \$)



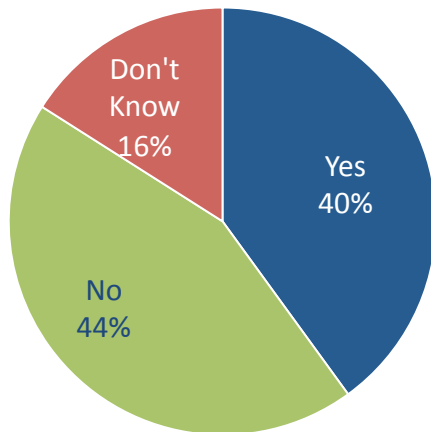
Source: U.S. Census Bureau Monthly Population Estimates (June 2014).

— Median Income

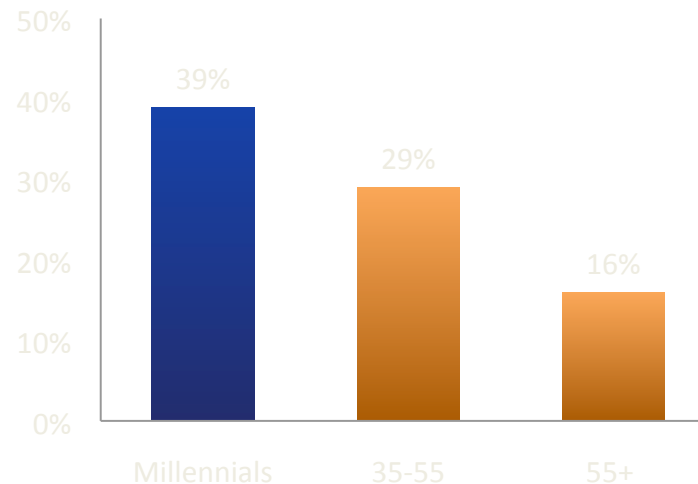
Millennials: Financial Habits & Preferences

The majority (77%) of prepaid users consider their checking account as their primary method of managing money, yet a significant portion of Millennials would consider replacing their traditional bank account

Open to Replacing Account with Prepaid



Consider a Branchless Bank



Q1: Do you think it would be realistic to use a reloadable prepaid card (carrying the Visa, MasterCard, American Express, or Discover Logo) in place of a more traditional bank account, such as a checking account?

Q2: If you were to switch banks, would you consider a bank with no branch locations? (Respond: Would consider / Would strongly consider)

Source: Options and Opportunities – Forging Lasting Banking Relationships with Millennials, Fair Isaac Corporation, 2014; Accenture, The Digital Disruption in Banking, 2014.



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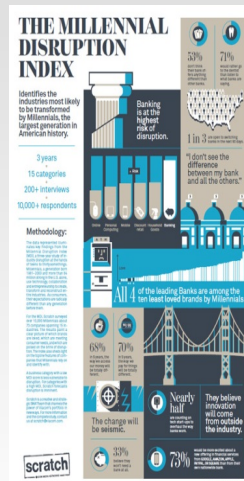
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Millennials think differently about financial services and are more likely to leave their banks



Financial Service Attitudes¹



73% Would be more excited about a new offering in financial services from Google, Amazon, Apple, PayPal or Square than from their own nationwide bank

68% Think that in 5 years, the way they access money will be totally different

33% Believe they won't need a bank at all

Millennials are²

5x

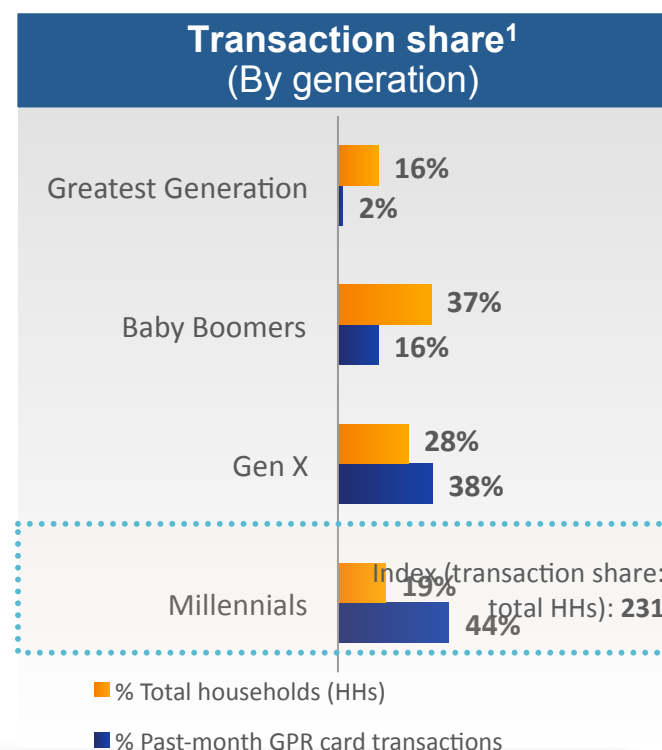
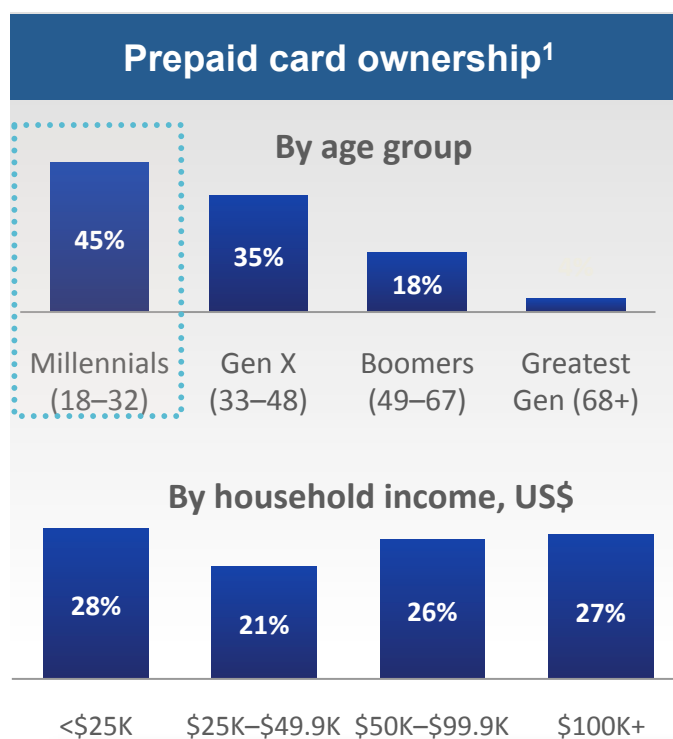
More likely to close all accounts with primary banks compared to 50+ age group

Majority of Millennials are more open to new financial services from tech providers than from traditional banks and are less loyal to their primary banks

Sources: ¹"Millennial Disruption Index," Viacom Media Networks, 2013; ²"Millennials and Retail Banking – What you need to know," FICO, 2015

Millennials are helping to mainstream prepaid

Age has become more of an indicator of Prepaid ownership than income, and Millennials over-index on prepaid transaction share.



Millennials are the key to driving increased adoption and usage, both as a companion and primary solution

Sources: ¹"Millennials with Money: A New Look at Who Uses Prepaid Cards," Federal Reserve Bank of Philadelphia, September 2014

By the numbers:

Paper checks



Americans without bank accounts pay

\$8B Each year

At check cashing outlets, payday lenders and bill pay centers¹



Employees pay up to

3%

To cash their payroll checks with a check cashier²



Someone earning

\$26K → **\$750**

a year would spend approximately... check-cashing and money order fees to pay their bills²

1. M. Fellowes, M. Mabanta. "Banking on Wealth: America's New Retail Banking Infrastructure and Its Wealth-Building Potential." Brookings Institution. 2008. http://www.brookings.edu/~media/research/files/reports/2008/1/banking%20fellowes/01_banking_fellowes.pdf
2. "2010 Report on Check Casher and Basic Banking Fees." Massachusetts Division of Banks. 2010. <http://www.mass.gov/ocabr/docs/checkcashreport2010.pdf>



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The Center for Generational Kinetics

- ▶ The premier generational and Millennial research, strategy and speaking firm
- ▶ Over 140 clients per year, ranging from Fortune 500 retailers and software firms to CPG brands and global banks
- ▶ Dedicated to making every generation more valuable by solving tough generational challenges



The Center's Millennial Expert Featured in the *New York Times* cover story on Marketing to Millennials



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What is a Generation?

Definition of a Generation

Defining the term “generation”

- ▶ A generation is a group of people born about the same time and raised in about the same place, leading to increased **predictability** in specific situations.



Generations are not boxes

- ▶ Generations are powerful clues on where to start to faster **connect with** and **influence** people of different ages, older and younger.



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Generations by birth year

Generations By Birth Year

iGen (aka Gen Z)

- ▶ Born 1996 and after

Millennials (aka Gen Y)

- ▶ Born 1977 to 1995



Generation X

- ▶ Born 1965 to 1976

Baby Boomers

- ▶ Born 1946 to 1964



Traditionalists

- ▶ Born 1945 and earlier

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Meet the Millennials

Meet the Millennials

- ▶ Born 1977 to 1995 in the U.S.
- ▶ Approximately 79.8 million in the U.S.
- ▶ Most diverse generation in U.S. history
- ▶ Fastest growing generation of customers
- ▶ Now the largest generation in the workforce



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Top 4 Things to Know About Millennials

Top 4 Things To Know About Millennials Now

1. Delayed adulthood and potential generational dislocation.
2. Millennials are not tech savvy, but tech _____.
3. Millennials are entering their wealth accumulation stage and will outspend Baby Boomers in 2017.
 - ▶ Least established loyalty and most likely to refer their friends
4. And even better, Millennials are also:
 - ▶ Influencing the decisions their employers and parents make



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Overview of the Employees and Pay in America Study

Study Goals and Methodology

- ▶ The research study was led by Global Cash Card and The Center for Generational Kinetics.
- ▶ The survey was administered to 1,005 U.S. adults age 18–65 who have been employed in the U.S. in the past 6 months.
- ▶ The sample was weighted to the current census data, and participants were screened for U.S. citizenship.
- ▶ The study was conducted online from January 6, 2016 to January 13, 2016.
- ▶ The confidence interval is $\pm 3.1\%$



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National Study Findings

Millennials Choose Unconventional Banking More than Other Generations

- ▶ Roughly 5 million Millennials in the U.S. do not have a checking account.
- ▶ This presents a potential challenge for employers because even though they are not responsible for the private financial decisions of their employees, companies will want to meet the needs of their workforce. People still need a way to collect their wages.



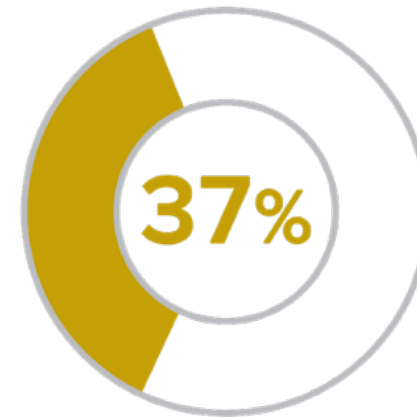
Distrust is the Divide that Keeps Many From Traditional Bank Accounts

- ▶ 48% of Millennials who don't have a checking account say the reason is that they do not trust banks.
- ▶ This is the same for Gen X, half of whom also cited this as a reason they don't have these accounts.
- ▶ Other reasons include the high cost of operating this type of account and the hefty fees if a mistake is made.



Paycards Hold Value for Millennial Workers

- ▶ More than one-third of Millennials said that having their pay loaded onto a paycard each payday would be valuable. This is approximately 20 million Millennial workers!
- ▶ The study found that the value of paycards extends beyond personal preferences.
- ▶ In particular, 32 percent of Millennials see the benefit of pay cards for employees across ages and industries.



More than 1/3 of all Millennials say it would be valuable to have their pay loaded onto a paycard each payday.

Offering Paycards as a Payday Option is a Popular Idea

- ▶ 64 percent of Millennial employees think that pay cards should be offered as an option for employees who want them.
- ▶ More than half of the other generations agree:
 - ▶ 51% of Baby Boomers agree
 - ▶ 57% of Gen X agree
- ▶ The study found that nearly 40% of Millennials feel that a company cares about employee happiness when it pays attention to how employees want to receive their pay.



Paycard Users are the Most Educated on Payroll Options

- ▶ The study revealed that Millennials and current paycard users are the most likely to have received payroll education.
 - ▶ 61% of Millennials
 - ▶ 83% of paycard users overall
- ▶ 45 % of Baby Boomers say they have been educated about payroll options

When it comes to receiving payroll education, Millennials and current paycard users are the most informed.

MILLENNIALS: 61%

PAYCARD USERS: 83%

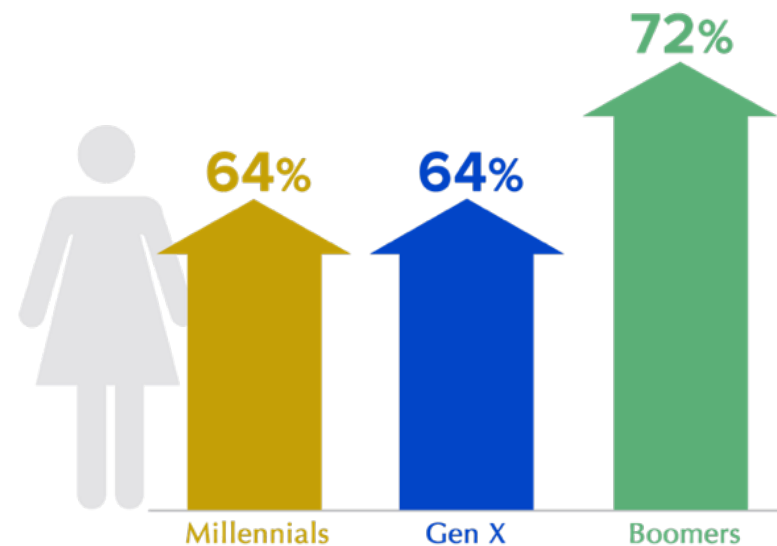
BOOMERS: 45%

GEN X: 48%



Financial Perceptions: Payroll and Gender Matter

- ▶ 53% of Millennials think that the person in charge of payroll is MORE important in a company than the CEO!
- ▶ According to the study, 64% of Millennials think that women are better at managing money than men.
- ▶ This increases with Baby Boomers, 72% of whom think women are better than men at managing money.



EVERY generation agrees. Women are better at managing their money.

Research Conclusion

- ▶ Alternative methods of receiving wages are appealing to workers, especially younger ones who are also more likely to avoid traditional banking.
- ▶ Younger workers and paycard users are far more likely to have received payroll education than Baby Boomers.
- ▶ Receiving wages on a paycard has additional benefits, with the majority of current paycard users saying that paycards help them save for retirement.
 - ▶ More than one-third of Millennials think this would be the case if they received their wages on a paycard.

