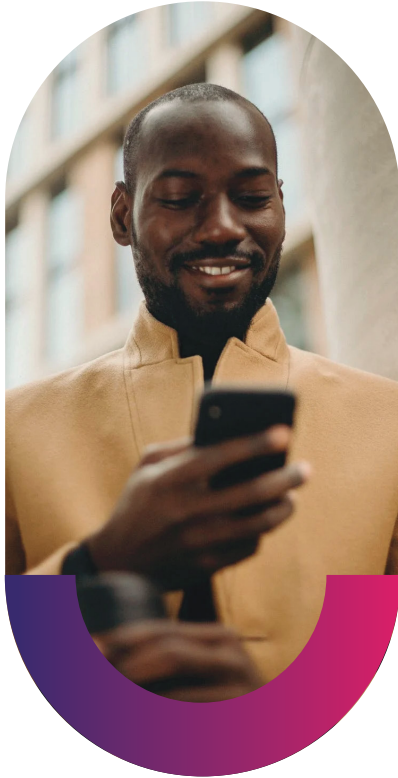




**EVALUATING THE 3 MODELS
OF ON-DEMAND PAY**

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ON-DEMAND PAY: A PRIMER

On-demand pay - also known as 'earned wage access' or by other similar names - is a financial wellness benefit offered by organizations that enables employees to access their pay before the next regularly scheduled payday. On-demand pay usually makes an employee's wages available on the same day worked or the day after.

As labor force demographics shift and working habits change, employees' expectations about how they will be paid have also evolved. In response to these demands, the market has seen a proliferation of providers offering a variety of models of on-demand pay.

THINGS AREN'T ALWAYS WHAT THEY SEEM

But not all on-demand pay solutions are created equal.

While every on-demand pay provider claims to offer employees access to their pay before their next payday, what providers actually offer varies widely between models. It is important to look at the details when choosing a vendor.

Some vendors charge fees to employees each time they wish to access their pay. Others offer access to daily wages at no cost, but make employees wait up to 48 hours before funds are available. And still others provide their service on a subscription model which makes employees pay a fee every pay period.

Make sure a potential on-demand provider actually meets the needs of your employees and your organization by asking the following questions:



QUESTIONS TO ASK A POTENTIAL ON-DEMAND PROVIDER:

- ★ Are you going to charge my employees to get paid?
- ★ Does your product provide a real benefit to my employees?
- ★ Is your business model compliant with state law?
- ★ How does your product deliver value to my organization?

3 DISTINCT DELIVERY MODELS

THE DEDUCTION MODEL | THE WAGE ASSIGNMENT MODEL | THE RESPONSIBLE MODEL

The Deduction Model

The Deduction Model of on-demand pay requires the employer to make payroll deductions in order to recover the earned wage advance. This use of payroll deduction is restricted in more than 14 states, thus exposing the employer to risk associated with state labor regulations. Because it changes the date that an employee has constructive receipt of wages, this model also creates tax withholding and reporting issues for the employer.

The Wage Assignment Model

The Wage Assignment Model of delivering on-demand pay requires participating employees to reroute the direct deposit of their wages to the earned wage access vendor, using the vendor's pooled account, where wages are held. Because this process requires the employee to give control of all of their wages to the provider, it creates significant risk for workers. For this reason, wage assignment programs are prohibited or significantly restricted in multiple states, including Illinois, Maryland, New Jersey, New York, and Virginia. This model may also require the provider to obtain a money transmitter license in each state in which it operates.

The Responsible Model

The Responsible Model of delivering on-demand pay, pioneered by Instant Financial, is the only solution that protects the employer from risk and does not require it to implement payroll deductions or other process changes. The Instant Financial model gives the employee full control over how and when they receive their pay. Workers can access on-demand when they choose and are never charged a fee for the service.

**No costs, no funding requirements, and no process changes for the business.
Employees are never charged a fee to access on-demand pay.**



DEFINING RESPONSIBLE EARNED WAGE ACCESS

Instant Pay is the only on-demand pay solution which gives the employee instant access to their earned wages at the end of every work day with no fee for the service.

Instant Pay provides employees with transparency into their daily earnings and gives them control over whether to request an immediate payment. Instant Pay limits on-demand access to a percentage of earned wages which ensures that the employee will still receive funds on their regularly scheduled payday.

At our core, we believe that employees should not be burdened with fees when accessing their wages and that is why there is never a charge to receive an Instant Pay.

COMPLIANT WITH CFPB, FEDERAL, AND STATE REGULATIONS

Instant Pay provides on-demand pay without regulatory concerns.

- ★ No tax withholding or reporting issues
- ★ No payroll deductions required
- ★ No illegal wage assignments
- ★ No fees to receive an Instant Pay

IN CONCLUSION

Access to wages on-demand is a great service to offer your workers and quickly becoming a “must have” benefit if you want to stay competitive in a tight labor market. While there are a lot of players in the earned wage access field, not every provider is a good match for you. Organizations evaluating earned wage access products need to understand the details of the different business models and identify the legal risks associated with some vendors. Instant Financial offers an on-demand pay solution that avoids the tax, wage and hour and other regulatory concerns faced by its competitors.

Visit instant.co/3-models or contact Instant Financial today at sales@instant.co