

WHAT ARE PAYROLL CARDS?

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A payroll card is a prepaid card that is offered to employees as an alternative to paper paychecks or directly depositing wages into an employee's financial institution account. Most payroll cards are **smart cards**, which have money electronically loaded onto them each pay period with funds automatically deducted from the balance when a purchase is made. Payroll cards function similarly to a debit card, except the funds are not linked to a checking account. The funds are directly deposited by an employer

into an account at a financial institution that is linked to the payroll card. Therefore, there are always three parties involved with a payroll card, including the employer, the employee, and a financial institution. There are two ways that the funds are held by a financial institution. With the first method, the funds are transferred into individual accounts for each employee and each account qualifies for FDIC insurance.¹ Therefore, the employee has rights to the money in the account if the financial institution were to fail.¹ With the second

method, funds are deposited into a single account that holds the payroll funds for all employees using a payroll card.¹ In this case, FDIC insurance may not apply to each individual account.¹ Once the employee's wages are credited to an account, the employee can use the card for ATM withdrawals or to make purchases.



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HISTORY OF PAYROLL CARDS

Payroll cards were introduced in the late 1990's. At this time, financial institutions offered proprietary payroll cards, which could only be used at an ATM.¹ These payroll cards demonstrated to be useful and convenient for the unbanked, or those who do not have accounts at financial institutions.¹ Then, in 2001, Visa and MasterCard announced that they were putting significant resources behind the product and began offering their own branded versions.¹ This allowed payroll cards to be used wherever major debit and credit cards were accepted, making them more attractive to consumers.¹ The number of payroll card users doubled from 2001 to 2002.² In 2005, there was approximately 2.4 million payroll card users and that amount is expected to double by the end of 2006.² Today many major companies, such as the United Parcel Service Inc., Blockbuster Inc., Coca-Cola Co., and McDonald's Inc., offer payroll cards to their employees.²

It costs an employee nearly \$2 per paper payroll check issued¹

BENEFITS

There are many benefits for both employers and employees to use payroll cards. For employers, the primary benefit is lower internal costs, because the costs associated with producing, handling, and distributing paychecks is eliminated. Employees benefit from increased safety as payroll cards reduce the need to carry large amounts of cash. Payroll card users also benefit from 24 hour access to their funds and have the ability to make online purchases easily. Unbanked employees benefit from payroll cards because they do not have to pay check cashing fees each pay period which costs unbanked Americans roughly \$8 billion annually (Visa USA, Inc.). Payroll cards users can access an electronic monthly statement of transactions, allowing employees to easily use them as a money management tool. Payroll card recipients can receive a second card that can be used to give allowances to children or send money internationally to family members without having to open a separate checking account or undergo credit approval. Financial institutions benefit from the payroll card arrangement because many unbanked consumers who begin to use a payroll card become traditional financial institution account users. In addition, financial institutions profit from the fees charged to employees, employers, and merchants. Payroll card users are protected through **Regulation E**, or the **Electronic Fund Transfer Act**. If a payroll card is stolen or fraudulent transactions are completed, the payroll card holder is liable for only \$50 if the lost or stolen card is reported to the sponsoring financial institution within 48 hours. Considering there is no legal protection for consumers whose paychecks have been stolen, Regulation E provides exceptional safety and protection for payroll card holders.

BENEFITS FOR EMPLOYEES

- ★ Reduces or eliminates check cashing fees
- ★ Offers immediate and 24-hour access to pay via ATM's
- ★ Makes money transfers easy
- ★ Offers ability to make purchases using credit card networks
- ★ Reduces the need to carry cash
- ★ Acts as a budgeting tool by providing card holders with a monthly statement of spending
- ★ Provides a pseudo-bank account for those who do not want to manage or do not qualify for a checking account

BENEFITS FOR EMPLOYERS

- ★ Reduces financial institution processing and check handling fees
- ★ Reduces likelihood of check fraud
- ★ Reduces check printing costs
- ★ Reduces check reconciliation costs
- ★ Reduces lost/stolen check replacement costs
- ★ Easy to transmit payroll to employees stationed at remote locations

THE FBI ESTIMATES THAT OVER 4 MILLION PAYROLL CHECKS ARE STOLEN ANNUALLY – *VISA USA, INC.*

FEES

There may be numerous fees associated with payroll cards. The number and amount of fees depends upon the financial institution. For example, some payroll cards offer just one ATM withdrawal per pay period free of charge, while others offer three to five withdrawals free of charge. Employers can negotiate with financial institutions to reduce the number of fees and some employers will pay all or part of the payroll card fees. Therefore, it is important for employees to obtain a list of all fees before signing up to use a payroll card. The following are some examples of fees charged by payroll card companies:

- ★ monthly or annual fee;
- ★ ATM fee;
- ★ inactivity fee;
- ★ fee after a specific number of transactions have been used;
- ★ replacement fee if the card is lost, stolen, or destroyed;
- ★ load fee (when funds are placed on the card account);
- ★ point of sale (POS) fee for using the card at a point of sale terminal, or an electronic payment processor.

The Community Affairs Department estimates that a payroll card will cost employees an average of \$72 per year in fees compared to \$246.48 if using a check cashing system.¹

1. Payroll cards: An innovative product for reaching the unbanked and underbanked (June 2005). *Insights*. Retrieved from <http://www.occ.treas.gov/cdd/payrollcards.pdf>
2. NYPIRG Consumer Protection Project. Pricey plastic; NYPIRG report and survey of plastic card fees. Retrieved from <http://www.nypirg.org/Consumer/cards/payroll.html>
3. Questions for employees to ask about payroll cards. *Consumers Union*. Retrieved from http://www.consumersunion.org/pub/core_financial_services/000920.html
4. Federal Reserve Board: Press Release (December 2005). Retrieved from <http://www.federalreserve.gov/boarddocs/press/bcreg/2005/20051230/default.htm>
5. Leading Financial Institutions Unveil Visa Payroll Card. *Visa USA, Inc.* Retrieved from http://usa.visa.com/about_visa/press_resources/news/press_release/nr33.html



UNIVERSITY OF ARIZONA IS FEFE'S NEW NATIONAL HEADQUARTERS

The Family Economics & Financial Education project is excited to announce they have relocated to the University of Arizona in Tucson, AZ. Housed in the Norton School of Family and Consumer Sciences and Take Charge America Institute, FEFE has begun to work with UA faculty members and collegiate programs to encourage project growth and stability. The immediate goals for the upcoming year include:

- Continue curriculum updates based upon educator feedback, technology, and legislative changes in the financial industry
- Work with FEFE-FCCLA Programming Advisers to develop three new Enhancement Tools
- Develop additional "Get Ready to Take Charge of Your Finances" lesson plans and "Life of..." scenarios
- Collaborate with individual states to prepare and train educators to effectively teach family finance in their schools and communities

Please do not hesitate to contact us with any questions!

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INTRODUCING FEFE STAFF MEMBERS

Nicole Chinadle Project Manager

Nicole Chinadle received a Bachelor of Science in Health and Human Development, Family and Consumer Sciences Extension/Education from Montana State University. She has been the manager of the Family Economics & Financial Education project since its inception in 2001. Nicole is responsible for fostering state relationships and national partnerships, managing and balancing program budgets, coordinating and conducting state and national trainings, researching and writing grant proposals, and overseeing all daily tasks and production of the FEFE project.

Email: chinadle@email.arizona.edu

Heather Wisness Associate Project Manager

Heather Wisness graduated from South Dakota State University with a Bachelor of Science degree in Family and Consumer Sciences Education with minor degrees in Human Development and Family Studies, Health Education and Consumer Affairs. She taught middle school and high school Family and Consumer Sciences in South Dakota for two years after completing her college degree. As the FEFE Associate Project Manager, Heather is responsible for developing new curriculum materials, conducting state and national trainings and guiding the FCCLA partnership.

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Tiffany Kiramidjian Project Coordinator

Tiffany Kiramidjian received a Bachelor of Science in Health and Human Development, Family and Consumer Sciences, with a Consumer Science emphasis. Tiffany has worked for the Family Economics & Financial Education project since January 2005 as a student intern and now is the Project Coordinator. Tiffany's responsibilities include researching and developing the bi-monthly newsletter, designing, writing and posting information on the Web site, managing the curriculum purchase program, developing training packets and evaluating agendas for state trainings.

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**Nicole and Tiffany manage the national office in Tucson, AZ and Heather manages a regional office in Bozeman, MT*

MASTER TEACHER PROGRAM

The FEFE Master Teacher program is an integral part of the Family Economics & Financial Education project's success. The following elite educators have been selected to be FEFE Master Teachers for the upcoming year and will work closely with FEFE staff to test new curriculum materials, provide feedback on current programming and trainings. A star (*) beside a Master Teacher's name indicates a state training team member.

*Marjorie Chinadle—Rudyard, MT

Kathryn Cox—Raleigh, NC

Brenda Dumler—Lee's Summit, MO

*Deani Goyette—Forsyth, MT

Carol Gragg—Victor, MT

Priscilla Hedgecock—Boulder, MT

Kathi Hendrix—Selah, WA

*Kim Knoche—Forsyth, MT

*Joanna Krogstand—Manhattan, MT

Irene Nelson—Colstrip, MT

Roxane Shammel—Sheridan, MT

For more information about the Master Teacher Program go to: www.familyfinance.montana.edu/masterTeacher.php

CODING SYSTEM CHANGE

The coding system was created for ease of use and allows educators to specifically identify a lesson plan and its components during instruction or when asking FEFE a question. The lesson plan code appears in the upper-right corner of the page with the type of curriculum first, the unit number second, then the lesson plan number, and if appropriate, a letter designating the type of material with a number if there are multiple pieces of the same material. As of May 2006, a curriculum type code was added to the beginning of the code to signify the specific type of curriculum. Therefore, the coding is now as follows:

- 1.13.1.A1:**
- 1** = Curriculum type (in this example "Take Charge of Your Finances")
 - 13** = Unit (in this example Paychecks and Taxes)
 - 1** = Lesson Plan (in this example "Understanding Your Paychecks and Tax Forms")
 - A1** = Material (in this example, Worksheet #1 *Understanding Your Paycheck*)

2.13.1.A1 is the "Get Ready to Take Charge of Your Finances" lesson plan Planet Paycheck because of the curriculum type code number 2.

If you have questions or would like additional information on the coding system, please go to www.familyfinance.montana.edu/purchase.php and click on "purchase cost document" or email familyfinance@cals.arizona.edu.



FCCLA PARTNERSHIP



★ PEER EDUCATION TRAINING ★

Fourteen Wisconsin FCCLA members and their advisers attended a Peer Education training in Madison, WI conducted by FEFE. The training focused on financial literacy, the proper use of credit and FCCLA peer education. During the two-day training, participants learned what credit is, the building blocks of credit and how to use credit properly. Then, participants created a ninety-minute presentation that will be presented to WI teens throughout the upcoming school years. Wisconsin FCCLA Foundation received a grant from CBM Credit Education Foundation, Inc. to make the peer education training possible. For more information on the Peer Education training model or how a training can be conducted in your state, contact FEFE at familyfinance@cals.arizona.edu.



★ NATIONAL PROGRAM AWARD ★

FEFE and FCCLA join together with a mutual goal of strengthening families by improving financial literacy. FEFE is sponsoring a **\$1,000** national winner and **\$500** runner-up award for high school members that will be awarded at the 2007 FCCLA National Leadership Meeting in Anaheim, CA. FEFE encourages FCCLA advisers to use FEFE curriculum materials to prepare their members to plan, carry out, and evaluate FCCLA national Financial Fitness projects. With the background knowledge and project ideas the FEFE curriculum provides, members can enable their peers, families, and community members to efficiently manage their finances. View the FCCLA Web site www.fcclainc.org for an award application. For more information about project ideas and how the FEFE curriculum integrates with FCCLA National Program, go to www.familyfinance.montana.edu/curriculum.php?categoryID=31#157

★ FEFE-FCCLA PROGRAMMING ADVISERS ★


Three FCCLA advisers have been selected to serve as FEFE-FCCLA Programming Advisers for the 2006-2007 year.

- ★ **Jane Brown** from Powhatan, VA,
 - ★ **Tracey Newman** from Ste. Genevieve, MO and
 - ★ **Sara Patenge** from Mesa, AZ
- have provided feedback on the current FCCLA partnership and development of additional programming materials. Each Programming Adviser will write an Enhancement Tool to be released this fall focusing on using credit wisely, comparing major purchases and analyzing college costs. For more information on all FEFE-FCCLA partnership materials, see www.familyfinance.montana.edu/masterTeacher.php

★ ENHANCEMENT TOOLS ★

Eight enhancement tools are available to enhance current curriculum in a project based approach. A variety of lessons have been written in a ready-to-teach format to enhance numerous financial education topics. Each enhancement tool includes project objectives, FEFE lesson plan resources, detailed instructions to facilitate the project including a conclusion and materials. In addition, each enhancement tool provides project alternatives identifying ways the project could be modified to reach a different target audience, address a different FCCLA national program and provide alternative options for disseminating information. Enhancement Tools are located on our website at: www.familyfinance.montana.edu/curriculum.php?categoryID=29

ENHANCEMENT TOOLS WITH LESSON PLAN INTEGRATION

<p>FINANCIAL VALUES — Survey students to identify their personal values and how they influence financial and career decisions.</p>	<p>Values Auction 1.17.4 Values Continuum 1.17.5 One Scoop or Two? 2.17.1</p>
<p>CLEVER CREDIT CARD USE — A video or brochure is created to teach parents wise handling techniques for credit cards.</p>	<p>Selecting a Credit Card 1.4.1 Take Charge of Credit Cards 2.4.1</p>
<p>STAY IN TOUCH — Students compare different phone service and utility plans and display their results and quotes. </p>	<p>Developing A Spending Plan 1.15.2 Introduction to Spending Plans 1.15.3</p>
<p>JUST SHOPPING WITH MOM — Students will read “Just Shopping with Mom,” to elementary students and discuss the difference between needs and wants.</p>	<p>Needs vs. Wants 1.17.2 One Scoop or Two? 2.17.1</p>
<p>PAYCHECK PARTICULARS — Survey school faculty and staff about their knowledge of various payroll options including a paycheck, direct deposit and payroll card along with payroll deductions.</p>	<p>Understanding Your Paycheck and Tax Forms 1.13.1 Planet Paycheck 2.13.1</p>
<p>SAVINGS IQ — Survey community members about the percentage of income they spend, save, and invest. From the results of the survey, posters are created emphasizing the 70-20-10 rule and the importance of saving and investing.</p>	<p>Introduction to Savings 1.14.1 Rule of 72 1.14.2 Introduction to Investing 1.12.1 What Can You Do With Money? 2.14.1</p>
<p>GAINING WITH GOALS — Students create articles to periodically be published in the school newspaper using the SMART goal process.</p>	<p>Setting Financial Goals 1.17.3 Goals Galore! 2.17.1</p>
<p>SAVERS CHALLENGE — Empty containers will be placed in elementary classrooms and elementary students will be challenged to bring in loose change or a portion of money they have saved to see which class can collect the most money.</p>	<p>Introduction to Savings 1.14.1 Rule of 72 1.14.2 Introduction to Investing 1.12.1 What Can You Do With Money? 2.14.1</p>

National Conference

The Family Economics & Financial Education’s national conference will be held from **June 18-22, 2007 in Tucson, Arizona**. Mark your calendars for the national training. FEFE is currently working to raise additional funds to award grants, so watch for more detailed registration and grant information in upcoming newsletters and on the Web site at <http://FEFE.arizona.edu>.

STATE TRAININGS

FEFE staff and Master Teachers would like to thank the 300 educators and state leaders we worked with while traveling to eight states this past year conducting state trainings. Trainings held in North Carolina, Louisiana, Alabama, Wisconsin, Michigan, Arkansas, Pennsylvania, and Virginia ranged in length from one day to four days and prepared educators to teach family finance in their classrooms. Attendees enjoyed the opportunity to experience lesson plans as they would be taught in a classroom, network with other professionals and receive professional updates on financial issues such as payroll cards and consumer protection. If you are a state training participant and have any questions about the curriculum, please don’t hesitate to contact FEFE, or if you are interested in attending or having a training in your state, contact familyfinance@cals.arizona.edu. We are currently scheduling state trainings for the 2006-2007 year and look forward to hearing from you!

CURRICULUM UPDATE

The September newsletter provides new and updated information on payroll cards for educators. The **Understanding Your Paycheck and Tax Forms 1.13.1 lesson plan** has been enhanced with additional payroll card information to educate students about the changes. Please download the updated version of the lesson plan, assessments, PowerPoint presentation and information sheet at www.familyfinance.montana.edu/curriculum.php?categoryID=17#39

*Download
Understanding
Your Paycheck
and Tax Forms
1.13.1 lesson plan
for the most
recently updated
version!*

GET READY TO TAKE CHARGE OF YOUR FINANCES OVERVIEW

“Get Ready to Take Charge of Your Finances” provides a bridge of introductory lesson plans to the “Take Charge of Your Finances” curriculum. “Get Ready to Take Charge of Your Finances” *is intended for students grades 7-9 or individuals with limited family finance knowledge*. The lesson plans are designed in the ready-to-teach format which utilizes the multiple intelligences and active learning approach like the other Family Economics & Financial Education materials. Each lesson plan includes a fast paced facilitation recommendation with numerous hands-on activities inter-woven allowing no more than twenty minutes of instruction before students have a change of pace. Unique note taking guides and information sheets have also been developed to enhance student learning and maintain interest while conducting PowerPoint presentations. A brief description of the “Get Ready to Take Charge of Your Finances” units and lesson plans is provided below.

Grades 7-9 or individuals with limited financial knowledge

UNIT 1.0 - CAREERS

Students identify the definition of a job, how personal interests may impact career choices and create a plan for future success.

- ★ DOES MONEY GROW ON TREES? 2.1.1
- ★ WHAT DOES YOUR FUTURE HOLD? 2.1.3
- ★ THE PLACES YOU WILL GO! 2.1.2

UNIT 4.0 - CREDIT

Students identify what a credit card is, recognize commonly used credit card terminology, and describe the advantages and disadvantages of using a credit card.

- ★ TAKE CHARGE OF CREDIT CARDS 2.4.1

UNIT 5.0 - DECISION MAKING

Routine and major decisions are defined as students follow the decision making process steps.

- ★ DECISION MAKING MAGIC 2.5.1

UNIT 7.0 - FINANCIAL INSTITUTIONS

Students define e-banking, and explore the different types of financial institutions and the services they provide.

- ★ ELECTRONIC BANKING BONANZA 2.7.1
- ★ FINANCIAL INSTITUTION FRENZY 2.7.2
- ★ DEBIT CARD SIMULATION 2.7.3

UNIT 13.0 - PAYCHECK AND TAX FORMS

Payment methods and paycheck terminology is discussed, along with navigating a paycheck stub and payroll withholdings.

- ★ PLANET PAYCHECK 2.13.1

UNIT 14.0 - SAVING

The value of saving, and saving methods are reviewed by playing a matching game along with writing an advice column to Sam the Saver.

- ★ WHAT CAN YOU DO WITH MONEY? 2.14.1

UNIT 15.0 - SPENDING PLANS

Students explore the benefits of creating a spending plan, identify the main categories and experience how education level impacts income.

- ★ DIGGING INTO SPENDING PLANS 2.15.1

UNIT 17.0 - VALUES, NEEDS VS. WANTS, GOAL SETTING

Students complete multiple activities to identify their values, explore the difference between needs and wants, and practice setting SMART goals.

- ★ ONE SCOOP OR TWO? 2.17.2
- ★ GOALS GALORE! 2.17.1

FINANCE SIMULATION—“LIFE OF...”

An individual finance simulation is completed by taking a look at the life of Taylor B. Jones. Taylor is a teenager at North Shore High School who enjoys motocross, is a member of the chess club and works part time at Cubby’s Restaurant & Grill. Taylor is responsible for purchasing fuel for his vehicle, saving income for his college expenses and buying any additional items that he wants such as a cellular phone, electronics or other entertainment items. By balancing Taylor’s income and the expenses, students reinforce all concepts and apply skills learned in the “Get Ready to Take Charge of Your Finances” curriculum.



★ VOLUNTEERS NEEDED TO EVALUATE “GET READY” ★

FEFE is looking for volunteers willing to teach and provide detailed feedback to evaluate the “Get Ready to Take Charge of Your Finances” curriculum. A unique component of the FEFE project is its curriculum design by educators for educators. To continue with this curriculum development model, FEFE is inviting educators to play an active role in the evaluation of the curriculum. If interested in providing feedback on as few as one lesson plan, or all thirteen of the newly developed materials before March 2007, please contact Heather at hwisness@email.arizona.edu. FEFE welcomes your suggestions for improving the curriculum!

All “Get Ready to Take Charge of Your Finances” lesson plans and curriculum materials can be downloaded for no cost off the Family Economics & Financial Education Web site.

<http://www.familyfinance.montana.edu/curriculum.php?categoryID=15>