

ARE WE CLOSER TO A CASHLESS SOCIETY?

SEPTEMBER 2020



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 **WEALTHMANAGEMENT**
WHITE PAPER

History has shown that humans are quite adaptable – on both a large and a small scale. For example, many people who would have never considered using Zoom for a meeting, PayPal for a virtual payment, or DocuSign for an important signature now do so daily. The same could be said about getting pet supplies from Chewy or electing to have groceries delivered to your front door.

The pandemic's stay at home/work from home movement has pulled technology assimilation forward at a rapid pace. Many experts speculate that this exponential growth would have originally taken years to achieve. ^(A)

With electronic payment methods like Apple Pay, Google Pay, PayPal, Square, and Venmo now easily accessible via your smartphone -- what is the future of cash and coin?

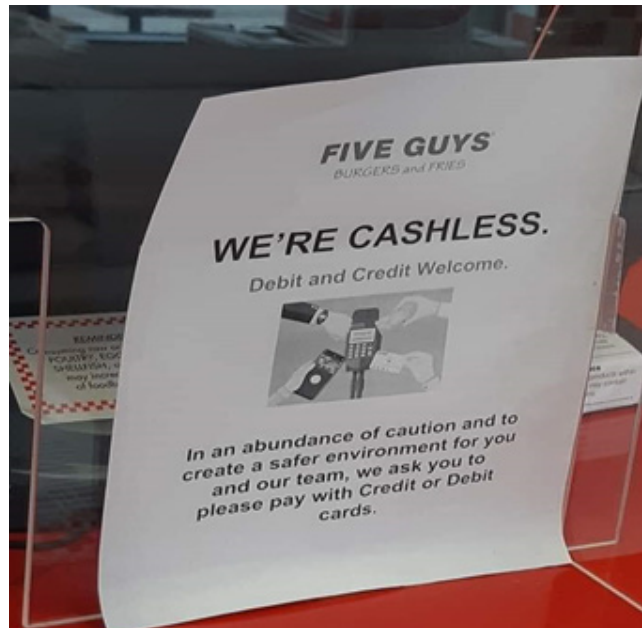
The US has been moving towards a “cash lite” economy for some time. ATM usage declines at about 6% to 10% a year. But Covid-19 seems to have supercharged this transition. “During the lockdown, cash withdrawals from ATMs were down about 60%.” As the coronavirus hit, many retailers moved to ban cash transactions because of concerns that coins and bills might spread the Covid-19 virus. (Contrary to reports, the World Health Organization never instructed consumers to avoid cash during the pandemic.) Within days of retail stores starting to close in March and April, cash usage dropped by 40%. ^(B)

Is going cashless even legal?

A section of U.S. Code on the American monetary system states that “United States coins and currency are legal tender for all debts, public charges, taxes, and dues.” ^(C) That sure makes it sound like cash must be accepted everywhere, doesn't it? However, like many things, even rules and laws seem to become a little more fluid during pandemic life.



Signs reading “contactless payment only” became common at points of payments throughout the US.



One Los Angeles golf course stated that cash is not accepted in the hopes of stopping the spread of the virus. “It was a simple decision,” said the Golf Manager at Los Angeles Department of Parks and Recreation.

The Purple House Restaurant in Maine asked that you consider paying with a credit card or mobile pay to avoid cash transactions.

A sign posted at the San Francisco Urban Creamery says, “We are encouraging contactless payment methods at this time.”

In their reopening guidelines, the Centers for Disease Control recommends that if you have to use cash in a restaurant, bar, or retail establishment, you should use a tray to pass it to your server or cashier. ^(D)

Serving the Underserved

Experts argue that cash must remain a viable payment option, as going cashless excludes the millions of unbanked and underbanked people in America, most of whom are from challenged social-economic backgrounds.

Approximately 6.5% of U.S. households are unbanked, according to the FDIC’s 2017 National Survey of Unbanked and Underbanked Households. This means they live in a household holding no accounts with insured financial institutions. Another 18.7% of households are underbanked, which means they have at least one account at an insured institution. However, they regularly use financial products or services outside of the banking system, like payday loans or cash-checking services. Quick math shows that’s 1 in 4 households are either unbanked or underbanked. ^(E)



There's a reason they say cash is king

Cash is still the second-most-used form of payment in America today after debit cards.

Physical objects like coins and paper bills have been used since ancient societies made the switch from bartering goods. America started issuing its own currency in 1776, and this evolved into the dollar we know today. The cashless movement started in the late '60s/ early '70s when credit cards became popular. Yet still, a cashless society hasn't managed to go mainstream after all these years.

While its use has certainly declined in recent years, cash will likely never disappear. Many cities like Philadelphia, San Francisco, and New York have recently passed legislation barring merchants from accepting only card and contactless payments. The New York bill, introduced in November 2018, had plenty of pushback from already-cashless merchants, technology companies, and credit card companies. Nevertheless, it became the law. Another reason for cash is that it's the best way to pay while maintaining a modicum of privacy; cash is integral to many longstanding practices like tipping and gift-giving.

And finally, while doomsday scenarios may seem far-fetched, how would we access our money if there were no access to the internet or a reliable online or card-based financial system? It's an important question to ask when creating laws and infrastructures. When technology fails, cash is there.

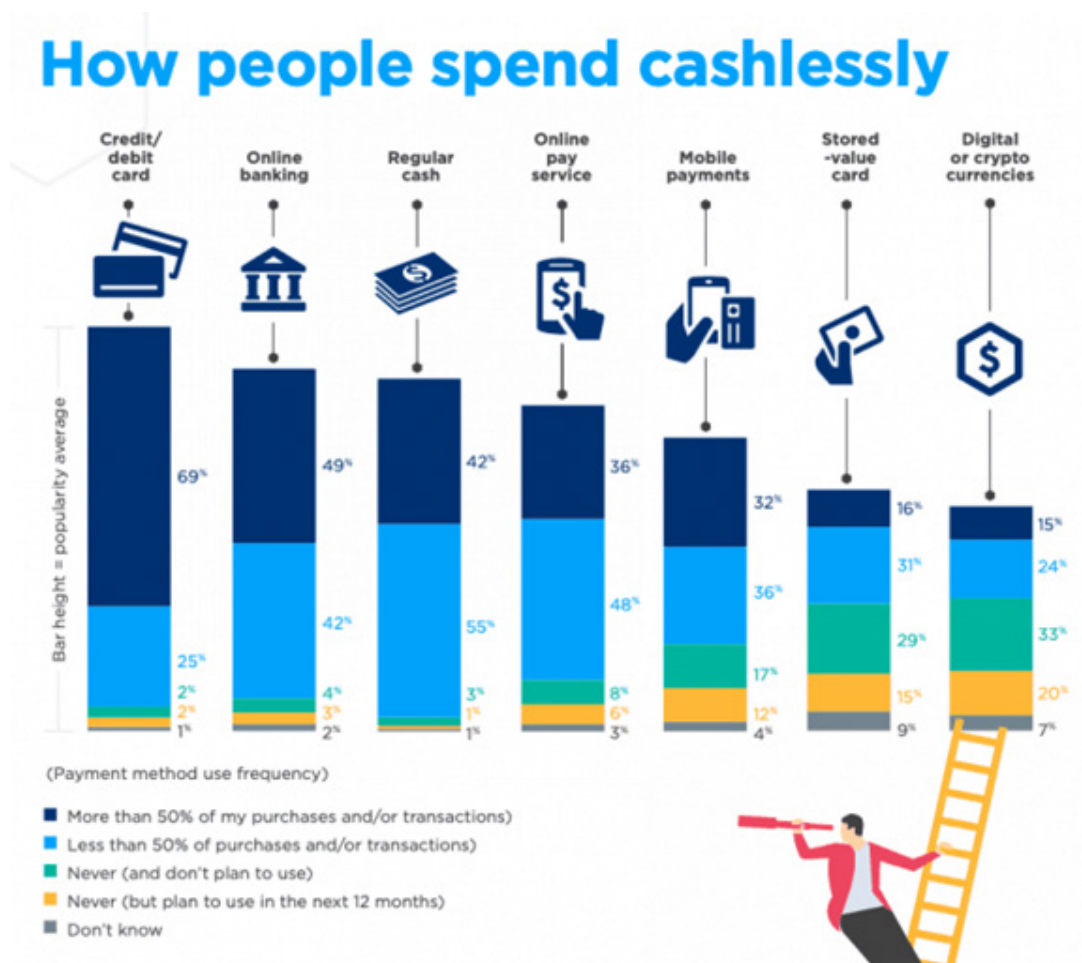


Consumer choice is key

Consumer choice is one of the most fundamental tenets of the free market. Eliminating cash reduces freedom of choice in payment options available to consumers.

In a recent research piece featured on CNBC, 46% of the people polled said they had stopped using cash due to the pandemic. An astonishing 66% also said they would consider the credit/debit device found at most retailers unsanitary and prefer a non-contact method.

The way the American economy functions these days is what some experts call “cash lite,” meaning there are a lot of payment options for consumers to choose from, and a small majority prefer the digital ones as shown in the chart below.





America won't be going cashless anytime soon

Even as new and exciting financial technologies become available, people keep returning to cash. Despite fears at the beginning of the COVID-19 pandemic that cash might increase the risk of contracting the virus, people are using paper money at 80% of the rate they were in the fall of 2019. So, the “greenback” is showing it may be as resilient as the virus itself.

Often the simplest things, backed by centuries of tradition and familiarity, hold their place in society – whether pandemics rage or technology advances. Are we closer to a cashless society? Without question, alternative payment methods exist and are increasing in popularity. However, that does not necessarily mean a cashless society is imminent. For generations, cash has been a huge part of our economy, and we do not feel that will change anytime soon.

SOURCES

- (A) <https://www.forbes.com/sites/forbestechcouncil/2020/07/24/how-digital-transformation-and-innovation-have-been-accelerated-due-to-covid-19/#600018113d>
- (B) <https://www.theguardian.com/money/2020/jun/24/you-cant-pay-cash-here-how-cashless-society-harms-most-vulnerable>
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- (D) <https://www.insideedition.com/why-some-businesses-are-refusing-cash-during-the-pandemic-59812>
- (E) <https://fortune.com/2020/06/25/cashless-society-coronavirus-cash-america-fintech-unbanked-privacy/>



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