



The New MyRA – Keep It Simple, Sam

In his 2014 State of the Union Address, President Obama announced a new means for employees to save for retirement: the MyRA, or My Retirement Account.

Immediate reaction by many in the financial community was ‘ho hum’ — why not just save into a Roth IRA immediately? MyRA is a form of Roth IRA with a few twists. After further thought, the critical distinctions came into clear focus. The MyRA:

- allows an employee to have payroll deduction to save directly into account equivalent to the Government Fund, currently enjoyed only by federal workers. Principal cannot be lost regardless of interest rate fluctuations so marketplace risk is absent. **Translation – safe.**
- allows for very small deposits, after a start-up investment of \$25, as low as \$5 per paycheck. **Translation – available to virtually all low to middle income earner levels.**
- permits employee access to contribution funds (it appears) in the same manner as Roth IRAs without penalty. **Translation – flexible, accommodates real-world emergencies.**
- charges no fees to set up and use. **Translation – affordable, plus no erosion of investment.**
- can be rolled into a personal Roth IRA at any time and must when account reaches \$15,000 (or 30 years maximum). Furthermore, employee savings never reside in a plan managed by the employer so there is perceived level of independent safety, off work premises. **Translation – 100% portable.**

As we wait for Treasury to roll out MyRA details in the near future, are there any lessons to learn?

Yes.

- Not all employers offer a retirement plan today – MyRA is a way to offer employees convenience to save through payroll deduction with no explicit plan-related expense to the employer.

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- Employee is assured that principal is safe. Unlike complex 401k plans, with default target date funds, coupled further with multiple fund choices, MyRA investment feels like a simple bank savings account (minus any fees) without the effort to go to a bank and open an account.
- Current minimums to open personal IRA or Roth IRA accounts tend to be large — often too large for a low income individual to scale. Even \$100 minimum threshold required to open most retail IRAs is a massive amount to someone earning minimum wage.

Some members of financial planning community question the need for MyRA, given the number of existing plan types — 401k, 403b, 457, IRA, Roth IRA. These discussions miss the collective features that MyRA plans will uniquely hold: safety of 100% of principal, extremely small contributions and ease of portability.

Yes, we already hear the arguments about inflation ravaging the value of the savings over time, the lack of adequate diversified growth choices, mounting concerns about government intruding into workplace retiree solutions, discussions about stock investments returns exceeding bond-like investments, etc. **But the simple fact is many Americans do not save for retirement since it is simply too daunting to get started. MyRA clears the path and may provide a means to overcome the inertia not the save.**

The ‘Keep It Simple, Sam’ message is loud and clear with MyRA. Or should the message be “Keep It Simple, Uncle Sam”? Let’s hope it succeeds.

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