



NEW MyRA ACCOUNTS TO LAUNCH BY YEAR-END

A new “starter” retirement savings account—myRA—for low-income and middle-income workers is expected to launch by the end of 2014 through participating employers.

The new account, announced by President Obama in his 2014 State of the Union address, is intended to help millions of American workers begin to save who do not currently have access to a workplace retirement savings plan. That group is estimated to include about half of all American workers.

MyRAs are designed to be a simple, affordable retirement savings solution for both the employers offering them and the employees contributing to them.

Employers who agree to participate in the myRA program will simply arrange to have their employees’ chosen contribution amounts automatically deducted from their paychecks and directly deposited into their myRA accounts. The employer will not administer the accounts nor contribute to them.

Employees can open a myRA account with as little as \$25 and then make ongoing payroll direct deposits in amounts as low as \$5. They can continue to do so for thirty years or until the account value reaches \$15,000, whichever happens first. After that, the account balance will roll over to a private-sector account.

MyRA accounts are in actuality Roth IRAs, following the same rules and receiving the same tax treatment.

Like all Roth IRAs, amounts you contribute to a myRA are not tax-deductible, but earnings grow tax-free and can be withdrawn tax-free after the account has been open for at least five years and you reach age 59½. Your contributions can be withdrawn tax-free at any time.

Also like all Roth IRAs, your modified adjusted gross income must be less than \$129,000 (single) or \$191,000 (married filing jointly) to contribute to a myRA. These are 2014 amounts and will be adjusted annually for cost-of-living increases.

Unlike Roth IRAs, however, there are no investment choices with a myRA. Your contributions will be invested solely in a U.S. Treasury security that pays a variable rate of interest. Your account will earn the same rate of interest as the Government Securities Investment Fund in the Thrift Savings Plan for federal employees. The average annual returns for this fund as of December 2013 were 1.89% for the one-year period, 1.94% for the three-year period, and 2.32% for the five-year period. (Past performance is no guarantee of future results.)

The security held in myRA accounts will be backed by the U.S. government, and account balances will never go down.

To sum it up, myRAs are expected to be a convenient, affordable, and low-risk way to begin saving for retirement. It is important to note, though, that because myRAs only invest in a low-risk U.S. Treasury security, they will have less long-term growth potential than a retirement account that includes stocks in the mix.

The U.S. Department of the Treasury is developing the myRA program and expects to roll it out before the end of 2014. Initially, myRAs will be offered only through participating employers.

Please consult your financial advisor for more information about myRAs as it becomes available. Your advisor can help you evaluate the merits of offering or participating in the myRA program. ■



MyRAs at a Glance

A simple and affordable “starter” retirement account.

Employees contribute through payroll direct deposit.

Same tax advantages as a Roth IRA.

Pays interest that is backed by the U.S. government.

Account balances will not go down.

High-income workers cannot participate.