WINSTON & STRAWN LLP

BLOG

Treasury's MyRA Program May Be Used to Supplement Employer Sponsored Retirement Plans

JANUARY 30, 2014

During Tuesday's State of the Union address, President Obama introduced the MyRA program, a retirement savings vehicle with a guaranteed rate of return that is backed by the federal government. While the program will not be available for some time, the Department of the Treasury has issued a fact sheet and frequently asked questions that provide some details as to how the program will work.

MyRAs are expected to become available in late 2014. Participation in the MyRA program will initially be limited to individuals with annual income of up to $129,000 ($191,000 for couples). Employers will not be allowed to contribute toward a MyRA and their role in the program will be limited to distributing information and facilitating the payroll deduction process. Importantly, MyRAs will be available to individuals without regard to whether they are otherwise eligible to participate in an employer sponsored retirement plan.

Additional important features of the MyRA program include:

- After-tax contributions will be invested in a single security and balances in the program will be principal protected, not subject to fees, and will earn interest at the same rate as the Government Securities Investment Fund in the Thrift Savings Plan for federal employees.
- Participants will be able to open a MyRA with as little as $25.00.
- MyRA balances will be portable.
- MyRAs will be subject to similar rules as Roth IRAs.
- Participants will be able to withdraw contributions tax free at any time with earnings receiving this same tax treatment if withdrawn after a participant's attainment of age 59 ½.
- Participation in the MyRA program will be limited to 30 years or until a participant's balance reaches $15,000, whichever is earlier. The balance will then roll over to a private-sector retirement account.

The MyRA program is clearly not intended to be a meaningful alternative to employer sponsored retirement plans. However, the program may help fill a void for employers that do not currently offer retirement plans. In addition, the MyRA program may prove to be a good supplemental program for employers that offer a retirement plan that does not cover all of their employees. For example, the MyRA program may be offered to temporary, seasonal, part-time, or student workers who do not otherwise meet participation requirements in an employer's traditional retirement plan. Importantly, because employers will not administer or contribute to the MyRa program, fiduciary requirements are unlikely to be implicated.

2 Min Read

Related Locations

Chicago

Related Topics

Health and Welfare Benefits

Retirement

Related Capabilities

Employee Benefits & Executive Compensation

Related Professionals

Erin Haldorson Weber

This entry has been created for information and planning purposes. It is not intended to be, nor should it be substituted for, legal advice, which turns on specific facts.