401(k)ommuniqué®

Brought to you by Joan McDonagh,
co-author of the 401(k) Answer Book

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Bright tomorrows begin today.

President Obama Announces Plan for New "*my*RA" Retirement Savings Accounts

In his recent State of the Union address, President Obama announced a plan to offer a new retirement savings vehicle that is designed to make payroll deduction retirement savings available to workers who don't have access to a 401(k) or other payroll deduction plan. It is intended to be a starter savings program for low- and middle-income workers who are not currently saving for retirement and is not intended to replace 401(k) plans or other retirement savings programs. The Treasury Department is working with the Obama administration on setting up this program. It is being established by executive order and without the direct involvement of Congress. Following is some key information about this *my*RA program.

- Availability: There is no requirement for any employer to offer *my*RA accounts or to provide information on this program to employees.
- Who Can Contribute: Anyone whose employer offers it and whose income level is within Roth IRA income eligibility limits, which currently are $129,000 for individuals and $191,000 for couples.
- How Much Can Be Contributed: The initial *my*RA deposit must be at least $25. Ongoing payroll deposits can be as little as $5 per payroll. The annual limit on contributions is $5,500. Once the value of a *my*RA account reaches $15,000 (or, if earlier, when it has been in existence for 30 years), it must be rolled over into a private sector retirement account (for example, a Roth IRA).
- Tax Treatment: Contributions to *my*RA accounts will be taxable but earnings will be eligible for the same favorable tax treatment as earnings in a Roth IRA, so they can generally be withdrawn tax-free if withdrawn after the participant reaches age 59½.
- How Invested: All funds in *my*RA accounts will be invested in U.S. Treasury bonds that will earn interest at the same rate that federal employees earn in the federal Thrift Savings Plan and will be protected against the risk of loss of principal.
- Access to Funds: Contributions to *my*RA accounts can be withdrawn tax-free at any time.
- Portability: *My*RA accounts are established at the individual participant level, not the employer level, so employees can continue to contribute to the same account when they change jobs (as long as the new employer offers it) without undergoing any rollover or other type of account transfer activity. *My*RA accounts can be rolled to a private sector retirement account at any time. The Treasury Department intends to define a rollover process for how *my*RA accounts can be transferred to a private sector account.
- Employer Involvement: Employers are not responsible for the administration of *my*RA accounts and there are no employer contributions to these accounts. Employers have no ERISA fiduciary responsibility in connection with offering myRA accounts. Employers that offer these accounts will need to send a direct deposit to each participating employee's *my*RA account with each payroll.
- Administration and Fees: The program will be offered by the U.S. Department of the Treasury, and it will seek assistance from contractors to administer it. It is intended that there be no fees charged to either employers or employees for participating in the program.
- When Available: The Treasury Department intends to begin rolling out a pilot program in late 2014.

For more information about the *my*RA program, please visit www.treasurydirect.gov/readysavegrow.

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