The Obama administration has done many things to expand the role of the federal government in the lives of ordinary Americans, but it has recently taken a giant step forward so that the federal government can take a more active role with respect to retirement savings and investments.

The United States is going into the IRA business, more specifically the Roth IRA business. myRA is a Roth IRA, nothing more and nothing less. The Treasury Department does not make this fact as clear or as transparent as it should. There is no discussion that the maximum contribution amount for a person younger than age 50 is $5,500, for a person age 50 or older is $6,500 and that these limits are reduced by other IRA contributions. There is no discussion of the fact that an individual's maximum contribution amount is reduced when his or her MAGI is in the range of $114,000-$129,000 and $181,000 to $191,000. There is no discussion that a person must have compensation in order to make a contribution to a myRA just as if he or she must have when making a contribution to a Roth IRA.

Rather than investing a person's Roth IRA contributions in a time deposit, certificate of deposit, or savings accounts as offered by an FDIC insured financial institution or other non-insured investments as offered by investment firms, the myRA contributions will be invested in a special investment or deposit account that "will earn interest at the same variable rate as the Government Securities Investment Fund in the Thrift Savings Plan for federal employees." myRA's will be backed by the full faith and credit of the United States.

The U.S. Department of the Treasury will either administer the myRA Program itself or hire a financial institution to serve as the Roth IRA custodian/trustee and administer these accounts. Under current law, the governing IRA regulation does not authorize the U.S. government to serve as an IRA custodian/trustee. Late 2014 is the tentative goal of the Treasury to implement the myRA program. Most likely this program will not be implemented until after the November 2014 elections. Many new forms will need to be written for the myRA and computer software will need to be developed and tested.

The main features of the myRA program are:
1. Small contributions may be made. An initial contribution of $25 is required and subsequent contributions would need to be $5.
2. No administrative fees would be charged – opening, closing, transferring, distributions, investing, etc. A guarantee is given that there may be no investment loss.
3. myRA is initially to be a payroll deduction program. That is, the individual cannot make his or her contributions via the web. Rather, the individual's employer must withdraw the contribution amount from each individual's payroll and that day the employer will send a direct deposit to each participating employee's myRA. The employer's role is limited to providing information to its employees as to how the myRA program works, having the employee complete a form as to how much is to be withheld and then transmitting such myRA contributions. An individual would sign-up online.
4. Distributions may be taken at any time. It will be interesting to see if a person will be able to withdraw funds online. Rollovers will also be permitted. Additional guidance will need to be furnished by the IRS. An individual will be able to voluntarily roll over his or her myRA to another eligible retirement. Under current law, the only plan to which Roth IRA funds may be rolled over to is another Roth IRA. Presumably, the

only plan that myRA funds may be rolled over to is a Roth IRA. Once the balance in the myRA reaches $15,000 or after 30 years, the balance in the myRA must be rolled over to a Roth IRA as authorized by current law. The Treasury Department seems to give the impression that there might be other private sector retirement accounts that could accept such a rollover. There is no discussion of transferring funds from a myRA to a Roth IRA.

What is the Obama administration and the current Treasury Department leaders trying to accomplish by creating this myRA program?

The Obama administration does want more individuals to save for retirement. This is an important public purpose. The reality is, however, too many individuals are not making the IRA contributions one would expect or hope would be made. Not everyone participates in a 401(k) plan. Due to the complexity of the federal tax laws applying to pension plans, many small employers don't sponsor pension plans for their employees. Once the economy improves, it may be that such employees would make IRA contributions.

The myRA program is a trial program. It may be an unspoken trial program, but that is what it is. Many in the Obama administration would like to see the U.S. government do much more than is presently being done to assure the majority of low and moderate income individuals will have retirement funds in addition to Social Security.

After seeing how the myRA program works or doesn't work, the Obama administration may try to seek to have all employers, even small employers, sponsor and make contributions to federally run profit sharing/pension plans or federally run employees' IRAs. That is contributions by employers become mandatory rather than voluntary as under existing law. And the government makes the investments rather than the individuals, as too many individuals tend to make poor investments.

Time will tell if sufficient employers will voluntarily participate in the myRA program to make it a success. We have doubts. Certainly the goal to increase retirement savings is worthwhile, but a simpler approach has a better chance of accomplishing this. The simplest approach is that the individual makes a contribution into his or her own IRA without involving the employer.