An Obama-era retirement savings initiative gets the ax

By Editorial Staff *Thu, Aug 3, 2017*

The program aimed to work in support of private industry, not against it. When MyRA account balances reached $15,000, Treasury bond assets would be liquidated and rolled into private-sector brokerage IRAs.

The Treasury Department has ended the Obama administration's MyRA plan program, citing its expense. The decision came not long after Congress voted to undo an Obama-era rule that would have made it easier for states to sponsor automatic workplace retirement savings plans for workers whose employers who didn't offer the plans.

Both initiatives—MyRA and the state plans—were aimed at solving a big problem: At any given time, only about half of U.S. workers have access to a payroll-deferral, tax-deferred savings plan at work. If more workers could save for retirement at work, the Obama administration believed, they would be less likely to need support from Medicaid in their old age.

The program aimed to work in support of private industry, not against it. Under the MyRA program, workers could save up to $15,000 in Roth IRAs. To relieve small savers of market risk, contributions would be placed in U.S. Treasury bonds.

When account balances reached $15,000, a level at which they would be large enough for financial services firms to service economically, the assets would be rolled into private-sector brokerage IRAs and invested in diversified mutual funds.

Demand for the accounts over their first 18 months was not high enough to justify their expense to the government, said Jovita Carranza, the U.S. Treasurer, in press release. The MyRA program has cost a reported $70 million since 2014 and would cost $10 million annually going forward.

Participants in the program will receive an email on Friday morning alerting them of the closure. Participants can roll the money into a Roth individual retirement account, the Treasury Department said.

Using an idea developed by policy experts Mark Iwry of the Brookings Institution (an Obama Deputy Treasury Secretary from 2008 to 2016) and David John (then of the Heritage Foundation, now at AARP) President Barack Obama ordered the creation of these "starter accounts" three years ago.

They became available at the end of 2015. Since then, about 20,000 accounts have been opened with participants contributing a total of $34 million, according to the Treasury, with a median account balance of $500. An additional 10,000 accounts have been opened but their owners have not made contributions.

The goal of MyRA was to encourage saving, especially among lower-income and minority workers who work at small companies that are less likely to offer retirement plans. Workers could transfer up to $5,500 (or $6,500 if they were age 50 or older automatically from their paychecks, or they could transfer funds to a MyRA from their checking or savings accounts.

The funds were invested in United States Treasury savings bonds, which paid the same variable rate as the Government Securities Fund, available to federal employees through the government retirement plan. There was no minimum deposit and no fees.

A group of Democrats in Congress recently asked Treasury Secretary Steven Mnuchin to support the MyRA program. The program became even more important, they said, after Congress voted to reverse two Obama-era rules that would have made it easier for states to sponsor low-cost workplace savings plans for workers whose employers didn't offer them. Oregon, California and Illinois are still moving ahead with those plans.