What about myRA?
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If you watched President Obama's State of the Union address, then you're aware of his proposal of the new myRA retirement savings program. However, do you know what the program is about or how it stands in contrast to the variety of alternate retirement savings options available – including traditional and Roth IRAs, 401(k) and 403(b) plans?

Surprisingly, half of all workers don't have access to any retirement plans offered through their employers, a majority of whom are small companies who have difficulties affording the cost of creating and administering a 401(k) plan. The new myRA program, set to be released later this year, will be offered to this underserved population. The motivation for implementing the program is the ease with which it can be installed since employers don't need to administer the invested assets, as well as the minimal cost, which is close to nothing. Thus, the hope is that the smaller companies, who don't currently provide retirement plans, would immediately offer their employees this savings opportunity.

However, not all employees will qualify for the program. Those who are not eligible to make myRA contributions include individuals earning over $129,000 or married couples earning over $191,000. Additionally, no law currently exists which requires employers to implement and administer these plans.

Accordingly, those individuals whose employers currently provide a retirement plan, or whose income exceeds the threshold amounts, need not consider the myRA program as a viable option.

Why shouldn't these people want to consider transitioning to the myRA? The program operates similarly to a Roth IRA in that the employees' salaries are taxed prior to going into the account. The money comes out as distributions, however, tax free. The myRA will also establish the same limits as the Roth IRA, allowing anyone to contribute annually up to the 2014 maximums of $5,500 for individuals under 50, $6,500 for people over 50.

The problem is that the myRA isn't really an investment account. Interest on all contributions to a myRA account will be paid by the federal government at the same rate earned by federal employees through the Thrift Savings Plan

Government Securities Investment Fund. Essentially, the money will be invested in government bonds.

This makes a difference because while the retirement account investments in last year's stock market earned close to 30 percent, the government bond investments that would have been allocated to a myRA earned 1.89 percent. These earnings are below the inflation rate and when considering real dollars – a losing investment.

Another problem to consider is the employer match. Many employers match some of the contributions that their employees make to a traditional 401(k) account, boosting their earnings. The myRA accounts, on the other hand, will receive no such match.

There is a provision in the program which says that if the balance of a myRA account exceeds $15,000, it must be rolled into a Roth IRA to be deployed in stocks, bonds or wherever else the account holder desires, suggesting that Obama's Administration does comprehend the difference between investing and saving in a government bond account. The intent of the myRA program seems to be inspiring younger workers to begin saving earlier than is seen in current trends. The median age for 25 to 32 year old American workers has a median retirement account of $12,000, with 37 percent having a balance of less than $5,000.

Will the new program motivate these young Americans to start saving? Some commentators question whether myRAs are conducive to long-term saving, since that money can be withdrawn from the account with no tax consequences at any time, for any reason. The program does, however, provide a convenient location for new employees to begin building a cash reserve, which can function as cushion to fall back on in the case of job loss or unexpected expenses, such as car repairs. If no such circumstances occur, the myRA account has the potential to grow a valuable nest egg for retirement.

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