

PUBLISHED ARTICLE: MyRA

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Some investors may question why they should consider a MyRA when so many financial advisors online have panned the concept.

My belief is they are reacting too quickly to the MyRA, which is described by the Department of the Treasury as a new retirement savings account for individuals looking for a simple, safe, and affordable way to start saving. The department says savers will be able to open an account with as a little as \$25 and contribute \$5 or more every payday.

Many years ago, I remember thinking those who bought very boring savings bonds were getting fleeced by investing in bonds which, at that time, were earning a subpar rate of 5.5 to 6.0 percent.

Two things are important about that. First, given today's interest rates, that return is phenomenal. Second, the interest grows tax-deferred on savings bonds, i.e. you pay no tax until they're redeemed. This makes them a great place to store and grow conservative assets for those who purchased them in the early 80s. What's interesting about this lesson I learned? The MyRA may be useful and even beneficial for some. Do I hear a collective gasp?

The account as proposed has the tax qualities of a Roth. That means that after contributions, which are not tax deductible when made, the account grows tax free if you hold it for more than five years. Second, there are very low minimums, like \$25 per month sponsored through employers. Third, the MyRA guarantees principle, offering the same interest rate as the current "G" fund in the federal employees retirement account, at a current rate of about 2 percent. This is certainly nothing to get excited about, but guaranteed principle is guaranteed principle.

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For those who really don't care for the gyrations of the stock market, the MyRA may be of interest in more ways than one. Some questions follow that may help in determining your current allocations' appropriateness, and the potential benefits this type of account may have for you.

- Are you willing to make a relatively long-term commitment to a retirement account?
- Would a fixed account with current interest rates make sense for you given the rest of your long-term savings options?
- Are you already taking advantage of a 401 (k) or other type retirement account and receiving the benefits of that account plus the matching of your contributions to the same?

Please note that if you are not currently taking advantage of these types of plans with matching contributions, and you have them available, you may be losing a significant long-term retirement benefit offering many of the same benefits of the MyRA as well as others, which may include the match. Many 401k's offer a Roth option that you may decide to take advantage of.

The MyRA may make sense given your risk tolerance, other account options and long term savings goals. Of course, our Congress has to write the law allowing this new savings vehicle, and as usual, it is all about the details.

Bottom line? If possible, save for retirement, and make use of the current law for your own arsenal of retirement accounts. Of course none of us knows how long we'll need to collect income from these accounts. So, the more efficient you can be with your own retirement accumulation and the more tax-efficient the withdrawals to fund your retirement, hopefully all the better for you to maximize your retirement capabilities. It's not just about the accumulation. It's truly about how to make those withdrawals, and where to draw them from.

The complexity increases (unfortunately) and this account will add to it. Some may find it helpful to view this as another technology option available to them. Diagnosis may be the best way to view this type of account. It's truly all about what you own, and whether this account may augment significantly what you are doing as well as assist you on your way to financial independence. Try not to prejudge, let us see what comes.

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