

# FACT SHEET: Opportunity for All: Securing a Dignified Retirement for All Americans

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The White House

Office of the Press Secretary

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*Creating the “myRA” – a Simple, Safe, and Affordable Starter Savings Account to Help Millions of Americans Start Saving for Retirement*

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Year of Action: Making Progress Through Executive Action

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*To build lasting economic security, the President will act on a set of specific, concrete proposals to expand opportunity for all Americans. In the State of the Union, the President announced that he will use his executive authority to direct the Department of the Treasury to create “myRA” – a new simple, safe and affordable “starter” retirement savings account that will be offered through employers and will ultimately help millions of Americans begin to save for retirement.*

- **Starter Savings Account:** Making It Easier to Start Saving for Retirement. This new product will be targeted to the many Americans who currently lack access to workplace retirement savings plans, which is usually the most effective way to save for retirement. Starting to save is just the first step towards a secure retirement, and the President wants to help more Americans save for their future.
- **Safe and Secure:** Principal Protection So Savers’ Account Balance Will Never Go Down. The product will be offered via a familiar Roth IRA account, and savers will benefit from principal protection, so the account balance will never go down in value. The security in the account, like all savings bonds, will be backed by the U.S. government. Contributions can be withdrawn tax free at any time.
- **User-Friendly for Savers:** Portable Account with Contributions that Are Voluntary, Automatic, and Small. Initial investments could be as low as \$25 and contributions that are as low as \$5 could be made through easy-to-use payroll deductions. Savers have the option of keeping the same account when they change jobs and can roll the balance into a private-sector retirement account at any time.
- **Favorable Investment Return:** Same Secure Investment Return Available to Federal Employees. Savers will earn interest at the same variable interest rate as the federal employees’ Thrift Savings Plan (TSP) Government Securities Investment Fund.
- **Widely Available:** Available to Millions of Middle Class Americans Through Their Employer. This saving opportunity would be available to the millions of low- and middle-income households earning up to \$191,000 a year. These accounts will be offered through an initial pilot program to employees of employers who choose to participate by the end of 2014. The accounts are little to no cost and easy for employers to use, since employers will neither administer the accounts nor contribute to them. Participants could save up to \$15,000, or for a maximum of 30 years, in their accounts before transferring their balance to a private sector Roth IRA.

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Continuing to Work With Congress on the President’s Existing Proposals to

Make Sure That All Americans Can Have a Dignified Retirement \*

The President remains committed to working with Congress to help secure a dignified retirement for all Americans. While

Social Security is and must remain a rock-solid, guaranteed progressive benefit that every American can rely on, the most secure retirement requires a three-legged stool that includes savings and pensions. That's why the President is using his executive authority to create the "myRA" and has already proposed to work with Congress on the following proposals to help Americans save for their retirement:

- Giving Every Employee Access to Easy, Payroll-Based Savings Through the Auto-IRA. About half of all American workers do not have access to employer-sponsored retirement plans like 401(k)s, which puts the onus on individuals to set up and invest in an Individual Retirement Account (IRA). Up to 9 out of 10 workers automatically enrolled in a 401(k) plan through their employer make contributions, even years later, while fewer than 1 out of 10 workers eligible to contribute to an IRA voluntarily do so. The President's budget will propose to establish automatic enrollment in IRAs (or "auto-IRAs") for employees without access to a workplace savings plan, in keeping with a plan that he has proposed in every budget since he took office. Employers that do not provide any employer-sponsored savings plan would be required to connect their employees with a payroll deduction IRA. This proposal could provide access to one-quarter of all workers, according to a recent study.

----- *Making Sure the Auto-IRA Works for Workers and Small Businesses.* Workers would not be required to contribute and are free to opt out. Employers would also not contribute. The plan would also help defray the minimal administrative costs of establishing auto-IRAs for small businesses, including through tax incentives.

- Removing Inefficient Retirement Tax Breaks for the Wealthiest While Improving Them for the Middle Class. The Auto-IRA will spread the tax benefits for retirement savings to millions more middle-class Americans. Current retirement tax subsidies disproportionately benefit higher-income households, many of whom would have saved with or without incentives. An estimated two-thirds of tax benefits for retirement saving go to the top 20% of earners, with one-third going to the top 5 percent of earners. Our tax incentives for retirement can be designed more efficiently. According to one 2012 study, additional tax expenditures are a comparatively inefficient way to generate additional saving. The President has proposed to limit the benefits of tax breaks, including retirement tax preferences, for high income households to a maximum of 28 percent. The President has also proposed to limit contributions to tax-preferred savings accounts once balances are about \$3.2 million, large enough to fund a reasonable pension in retirement.

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#### Importance of Securing a Dignified Retirement for All Americans

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- Many Americans lack access to workplace retirement savings plans – usually the most effective and generous means of saving for retirement. About half of all workers and 75 percent of part-time workers lack access to employer-sponsored retirement plans.
- The financial crisis dealt a severe blow to the retirement outlook for many families, wiping out more than \$12 trillion dollars in household wealth. While financial markets have returned to their pre-crisis levels, median household wealth has only recovered 45 percent of the losses during the recession.
- The risk of an insecure retirement is especially great for women, minorities, and low-income Americans. Women continue to be less prepared for retirement than men and comprise 63 percent of the elderly living below the poverty line. White households have six times the wealth, including retirement savings, of African Americans or Hispanics. And low-wage and part-time workers are just one-third as likely as high-wage and full-time workers to participate in an employer-based retirement plan.