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THE *myRA* PROGRAM: WILL AMERICANS SAVE?

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ABSTRACT
In his 2014 State of the Union Address, President Obama announced his plans to create a new retirement account to be known as the *my*RA (My Retirement Account) program to address the underinvestment problem for lower income families in America. *My*RAs are specialized Roth IRAs that can only be invested in the Government Securities Investment Fund (G Fund) of the Thrift Savings Plan for federal employees. Our analysis compares possible *my*RA investment outcomes with possible Roth IRA investment outcomes to determine which investment vehicle offers the best outcome to potential investors. We examine outcomes for investments in the G Fund (*my*RA) and five mutual funds (Roth IRA). We find that equity mutual funds substantially outperform the G Fund. Despite this, *my*RAs might offer something in the way of helping individuals become disciplined investors by providing low barriers to entry. Additionally, *my*RAs might provide an interesting, and higher-yielding, option for short-term investment needs for individuals who already take advantage of employer-sponsored retirement accounts.

1. INTRODUCTION

In his 2014 State of the Union Address, President Obama announced his plans to create a new retirement account to be known as the *my*RA (My Retirement Account) program. The intent of this program is to address the fact that approximately fifty percent of American workers do not have access to employer-sponsored, tax-advantaged retirement plans such as 401(k)s. Families with lower income, lower education, and/or nonwhites/Hispanics have significantly lower instances of investing in retirement plans compared with families with higher income, higher levels of educations, and/or whites/non-Hispanics (Bricker, 2012).

It is known that lower income families, families with lower levels of education, and minority families are less likely to have retirement accounts.

What is not clear is whether the lack of retirement funds with these families is due to a lack of financial education, a lack of resources (i.e. these individuals are currently living "paycheck to paycheck" and feel that they cannot afford to dedicate a portion of their income to retirement contributions), or if their employers do not offer a retirement plan. It is likely that many of the families with lower incomes and levels of education are financially illiterate. In 2005, Harris Interactive conducted a survey on behalf of the National Council of Economic Education to determine the level of understanding of economics in adults and high school students. The results of this survey indicate that most adults do not have a firm understanding of basic economic principles with an average adult score of 70 ("C") on an economics and personal finance quiz. The results of the survey indicate that 28 percent of adults earned an "F" on the quiz and that individuals with only a high school education were 5 times more likely to fail compared with college graduates. Additionally, non-white respondents were more likely to earn an "F" compared with white respondents. The average score for non-white respondents was a "D" while the average score for white respondents was a "C". In their analysis of financial literacy and retirement planning, Lusardi and Mitchell (2009) found that individuals who are more financially literate plan for retirement[1].

With the new *my*RA accounts, employers can elect to participate and provide automatic payroll deductions to be deposited into the investor's *my*RA account. There are no fees to the employer or employee/investor. Participants can open an account with as little as $25. Ongoing pay period contributions can be as low as $5. This offers lower barriers to entry compared with Roth IRAs. The only investment alternative available for the *my*RA program is the Government Securities Investment Fund (G Fund) of the Thrift Savings Plan for federal employees.

2. BACKGROUND

An individual retirement account (IRA) can be an important component for retirement savings in the U.S. According to Copeland (2010), 26.8% of estimated total U.S. retirement plan assets came from IRA and Keogh plans[2] in 2008. Defined contribution plans, which include 401(k)s, account for 19.4% of retirement plan assets. The average IRA account balance in 2008 was $54,863 and the median account balance was $15,765. The average contribution was $3,665 and 42.4 percent of IRA holders contributed the maximum annual contribution limit[3].

There is an ongoing debate as to whether or not the *my*RA program will be successful. Jones and Luscombe (2014) note that private financial firms will be unlikely to have interest in these small accounts due to the administrative hassles of dealing with small sums of money.

[1] See also van Rooij et al. (2012), Lusardi and Mitchell (2007, 2009, 2011), Bernheim and Garrett (2003), Hilgert et al. (2003)

[2] Keogh loans are tax-deferred retirement plans. These plans are for self-employed individuals or individuals who work at unincorporated businesses.

[3] The maximum annual IRA contribution for individuals under the age of 50 in 2008 was $5,000. Individuals over the age of 50 could contribute $6,000 in 2008. The current contribution limit is $5,500 for individuals under the age of 50 and $6,500 for individuals over the age of 50.

These administrative costs are instead being absorbed by the Federal government until the accounts reach such a size that they are rolled into a Roth IRA at a private financial institution. MyRA account balances cannot exceed $15,000.

Jones and Luscombe (2014) do note that employers might be willing to participate in this program as early evidence suggests that it will be easy to set up and many employers have been willing participants in savings bond purchase programs.

Critics might also consider the *my*RA account to be a "gimmick" to help finance the federal budget deficit as the only investment option is in Treasury securities via the Government Securities Investment Fund (G Fund) of the Thrift Savings Plan for federal employees. Burman et al. (2001) note that many critics considered the Roth IRA to be a gimmick when it was introduced in the Taxpayer Relief Act of 1997. Roth IRAs were thought to be a budget gimmick as they generated more upfront revenue for the federal government because contributions in Roth IRAs are made with after-tax dollars and qualified withdrawals are not taxed. Contributions for traditional IRAs are made with before tax dollars and qualified withdrawals are taxed as ordinary income. Initially investors pay more taxes with a Roth but over a longer period of time they actually pay fewer taxes when compared with a traditional IRA, thus generating more upfront tax revenue for the federal government.

While it is unclear whether or not the *my*RA program will be successful, it is clear that Americans are not saving well for retirement. Table 1 provides statistics from the 2010 Federal Reserve Board's Survey of Consumer Finances (SCF) detailing family holdings of financial assets based on characteristics of families and type of asset. We are particularly interested in retirement accounts. 50.4 percent of all families hold a retirement account and the median value of retirement accounts is $44,000. Only 11 percent of families that fall in the "less than 20" percentile of income have a retirement account and the median value of their retirement accounts is $8,000. 31 percent of families that fall in the "20-39.9" percentile of income have retirement accounts and the median value is $11,000. This data suggests that is imperative to find ways to encourage and enable these individuals to save for retirement.

Table 1: Family holdings of retirement accounts

	Percentage of families holding asset	*Median Value of holdings for familes holding assets (thousand of dollars)*
All families	**50.4**	**44.0**
Percentile of income		
Less than 20	11.0%	8.0
20–39.9	31.1%	11.0
40–59.9	52.4%	23.0
60–79.9	69.7%	36.1
80–89.9	85.5%	88.0
90–100	89.8%	277.0
Education of head		
No high school diploma	17.1%	16.3
High school diploma	40.6%	25.0
Some college	48.6%	27.0
College degree	70.4%	76.0
Race or ethnicity of respondent		
White non-Hispanic	58.1%	54.0
Nonwhite or Hispanic	34.4%	25.0

Source: 2010 Survey of Consumer Finances, Federal Reserve Board

2.1 myRAs

The proposed *my*RA plan offers several advantages over traditional retirement savings accounts. *My*RAs are a special form of a Roth IRA and will be available to individuals with adjusted gross incomes (AGIs) of less than $129,000 and to couples with combined AGIs of less than $191,000 (which is the limit for all IRAs). If employers elect to participate, they will set up an automatic payroll direct deposit for the employee with a minimum employee initial contribution of $25 and a minimum employee payday contribution of $5. This offers a significant reduction in barriers to entry compared with Roth and Traditional IRAs which can often require initial contributions of $1,000 or more. Employer and employee participation is voluntary.

Contributions can be withdrawn tax free at any time and earnings can generally be withdrawn tax-free after the age of 59 ½. Additionally, the principal is guaranteed by the Federal government. Finally, there are no fees associated with *my*RA accounts. Regular Roth IRA accounts can be subject to trading fees, closeout fees, and costs associated with mutual funds (e.g. loads and annual fees). *my*RAs must be converted to Roth IRAs once the account balance reaches $15,000 or after 30 years, whichever comes first.

The *my*RA also has several disadvantages. A significant disadvantage is that the only investment option is the G Fund. While this offers an advantage in that principal is guaranteed and less-sophisticated investors do not have to decide between a large numbers of investment alternatives, it also provides very low rates of return compared to equity funds and some bond funds. The G Fund had a 2.45 percent rate of return in 2011 and 1.47 percent in 2012. While G Fund principal is guaranteed, the interest payments are not. In 2012, the G Fund paid 1.47 percent while CPI was 2.1 percent.

This means that investors in the G Fund earned a negative annual return after accounting for inflation. Average annual returns for the G Fund are provided in table 2 and average rates of inflation are reported in table 3. Another disadvantage is that while this plan is aimed at employees who do not offer employer-sponsored retirement plans, employers are not obligated to offer the plan to their employees. Additionally, self-employed individuals are not eligible for *myRA* accounts.

Table 2: G Fund Returns

Panel 1: Average Annual Returns (As of December 2013)	
1-Year	1.89%
3-Year	1.94%
5-Year	2.32%
10-Year	3.39%
Panel 2: Calendar Year Returns	
2009	2.97%
2010	2.81%
2011	2.45%
2012	1.47%
2013	1.89%

Source: www.tsp.gov

Table 3: Average Inflation

2009	-0.36%
2010	1.64%
2011	3.16%
2012	2.07%
2013	1.46%

Source: http://data.bls.gov

2.2. Roth IRAs

Unlike *my*RAs which require an initial contribution of $25, the initial contributions for Roth IRAs vary substantially depending on the private financial firm that an investor selects. Table 4 details the initial minimum contribution for several financial institutions. Some institutions have no minimum required contributions and other institutions having minimum initial contributions of $1,000 or more.

Table 4: IRA Initial Contributions

Financial Institution	Initial Contribution
Charles Schwab	$1,000
Fidelity	$0
Janus	$500
Scotttrade	$0
T. Rowe Price	$1,000
TD Ameritrade	$0
Vanguard (select funds)	$1,000
Vanguard (other funds)	$3,000
Wells Fargo (investment guidance)	$1,000
Wells Fargo (no investment advice)	$0

*Fees as reported on firms' websites on June 5, 2014

The Obama administration designed *my*RAs to address the problem of individuals not saving. This is especially true for individuals who do not have employer sponsored retirement savings plans and individuals in lower-income brackets. Having to first accumulate $1,000 before opening an IRA account is presumably a large, and perhaps insurmountable, task for individuals who are living paycheck to paycheck in a low income bracket. Consider an individual who initially saves $25 and then deposits $5 a week into a non-interest bearing account. It would take this individual 195 weeks (3.75 years) to accumulate $1,000. Roth IRAs have the same AGI limits, annual contribution limits, and taxation as *my*RAs. However Roth IRAs are subject to various fees.

3. ANALYSIS

We analyze possible account balances for six different investment alternatives. One investment alternative is the G Fund which is the only investment option for *my*RA participants. Investors choosing to invest in a *my*RA have a minimum investment requirement of $25. The minimum ongoing contribution is $5 per pay period. Given this low investment threshold, investors are able to begin contributing to their *my*RAs immediately. Additionally, there are no fees associated with *my*RAs.

Unlike using *my*RAs, individuals wishing to invest in Roth IRAs will have an incredible number of investment alternatives available to them. These options include stocks, bonds, mutual funds, and ETFs. Many investors will prefer to use mutual funds because of the diversification opportunities provided with mutual funds. Even with mutual funds, investors will have a number of choices for investment. According to 2014 Investment Company Fact Book, there were a total of 7,707 mutual funds in 2013. Additionally, the minimum contributions of Roth IRAs are generally large in comparison to the myRAs. This means that many individuals, particularly those with lower incomes, will not be able to begin investing immediately because they will need to save funds until they can meet the typical minimum initial investment of $1,000.

Smith et al. (2012) note that individuals who are less financially sophisticated are less likely to use a financial planner. Given that *my*RAs are intended to encourage individuals who lack employer savings plans to save, it is likely that many *my*RA participants are less financially savvy.

In their survey of mutual fund shareholders, Alexander et al. (1998) find that although the single most used source of information is the mutual fund prospectus, 42 percent of respondents also heavily utilize financial publication such as newspapers and magazines. To evaluate possible outcomes from investing in a Roth IRA, we went to Kiplinger's website and looked at their top 25 no-load funds as of May 31, 2014 (Huang, 2014)[4]. From this list, we randomly selected 5 funds to evaluate. Our selection of mutual funds is the Vanguard Dividend Growth, T. Rowe Price Small-Cap Value, Dodge & Cox International Stock, Fidelity Total Bond, and Vanguard Short-Term Investment Grade. This provides us with three equity funds and two bond funds. Table 5 provides the average three, five, and ten year rates of returns and expense ratios for each fund as provided by Kiplinger's website.

Table 5: Roth IRA Mutual Funds

Mutual Fund Name	Ticker	3 year avg.	5 year avg.	10 year avg.	Expense ratio	Type
Vanguard Dividend Growth	VDIGX	14.75%	16.90%	9.31%	0.31	Large Company Stocks
T. Rowe Price Small-Cap Value	PRSVX	12.71%	18.93%	10.13%	0.81	Small Company Stocks
Dodge & Cox International Stock	DODFX	9.25%	14.42%	9.92%	0.64	International Stocks
Fidelity Total Bond	FTBFX	4.44%	7.18%	5.60%	0.45	Bond
Vanguard Short-Term Investment Grade	VFSTX	2.37%	4.14%	3.76%	0.21	Bond

Source: http://www.kiplinger.com/tool/investing/T041-S000-kiplingers-25-favorite-fund/index.php

3.1. Scenario One

Our initial scenario begins with an initial investment of $25 (the minimum required initial contributions for *my*RAs) at time zero and subsequent weekly contributions of $5 (the minimum paycheck contribution for *my*RAs). We use the five year[5] average rate of return for the G Fund, to find possible account balances for *my*RA accounts in five, ten, fifteen, and twenty years. As this is a tax-advantaged investment account and there are no fees, we do not consider taxes or fees in this analysis. After twenty years the account balance is $6,654.72.

Our investor in this scenario has contributed $5,225 over the twenty year period. Not surprisingly, the investment yields a fairly low return. However, there is very little risk in the G Fund.

We use this same scenario (initial savings of $25 at time zero and subsequent weekly contributions of $5) to evaluate possible outcomes for our five Roth IRA alternatives. A significant difference for an investor using a Roth as opposed to a *my*RA is that many investment companies require an initial contribution of $1,000 to open a Roth. We assume that the investor deposits $25 into a non-interest bearing account and adds $5 a week until week 195. At week 195 the investor has saved $1,000 and uses this $1,000 to open a no-load mutual fund and deposit $5 a week thereafter. Another difference in Roth IRAs compared to *my*RAs is that *my*RAs have no fees associated with them while mutual funds used in Roth IRAs will have expenses. We therefore use after-expense account balances based on the reported expense ratio to evaluate mutual fund account balances.

[4] http://www.kiplinger.com/tool/investing/T041-S000-kiplingers-25-favorite-fund/index.php

[5] We also used three and ten year rates. Results are comparable and are not displayed. The tables with these results can be provided upon request.

Roth IRAs and *my*RAs are both tax advantaged accounts and we therefore do not need to consider the impact of taxes in our analysis.

Results are displayed in Table 6. As expected our results vary substantially based on the type of mutual fund. Our equity funds have higher account balances than our bond funds. Our outcomes for twenty year investments range from $7,804.07 (Vanguard Short-term Investment Grade fund) to $44,594.44 (T. Rowe Price Small Cap Value fund). With the exception of the Vanguard Short-term Investment Grade fund, our investment alternatives do substantially better than our 5-year average rate of return *my*RA account balance of $6,654.72.

Table 6: Account Balances for Scenario One

	VDIGX	PRSVX	DODFX	FTBFX	VFSTX	Gfund
Avg	16.90%	18.93%	14.42%	7.18%	4.14%	2.32%
Year						
5	$1,596.03	$1,617.75	$1,541.86	$1,426.54	$1,383.32	$1,406.15
10	$5,661.38	$6,106.68	$4,935.92	$3,541.07	$3,119.48	$2,957.14
15	$14,980.10	$17,196.62	$11,689.78	$6,500.85	$5,232.47	$4,698.84
20	$36,312.03	$44,594.44	$25,129.34	$10,643.75	$7,804.07	$6,654.72

Gfund: $25 investment at day 0 and weekly contributions starting at $5. Total contributions of $5,225.
Roth: Initial investment of $25 and subsequent investments of $5 a week in a non-interest bearing account until week 195 when the account reaches $1,000. Then a $1,000 initial investment in a Roth IRA with subsequent investments of $5 a week thereafter.

3.2. Scenario Two

In our initial scenario, our investor contributes $5 a week over the entire twenty year investment period. To further our analysis, we assume that an investor might contribute more in later years as their pay increases over time. Additionally, since *my*RA accounts are aimed at lower-income families, it is not unreasonable to suggest that an investor's circumstances could improve over time. In our second scenario, we assume that the investor contributes $25 at time zero and begins contributing $5 a week in week 1. Every year, the investor increases his/her weekly contribution by 5%.

This means that the investor contributes $5 a week in year 1 ($260 total for the year) and $12.63 a week in year 20 ($656.76 total for the year). The total contributions over a twenty year period are $8,487.15. At twenty years, our G Fund account balance is $10,575.57.

As with scenario one for Roth IRAs, our investor needs to accumulate $1,000 before he/she can open a Roth IRA account. The investor does this by initially saving $25 at time zero in a non-interest bearing account. The investor initially contributes $5 a week and increases this/her weekly contributions by 5 percent each year. In week 183 our investor has accumulated $1,000 and opens a Roth IRA. Investment outcomes range from $12,173.89 (VFSTX) to $59,485.27 (PRSVX). This compares to $10,575.57 with the *my*RA. Total investor contributions are $8,487.15. Results are reported in table 7.

Table 7: Account Balances for Scenario Two

	VDIGX	PRSVX	DODFX	FTBFX	VFSTX	Gfund
Avg	16.90%	18.93%	14.42%	7.18%	4.14%	2.32%
Year						
5	$1,798.60	$1,833.81	$1,735.83	$1,588.61	$1,533.97	$1,547.58
10	$6,921.54	$7,454.92	$6,054.55	$4,387.54	$3,884.46	$3,677.20
15	$19,423.49	$22,149.91	$15,363.58	$8,903.16	$7,302.53	$6,604.49
20	$49,031.12	$59,485.27	$34,806.28	$15,986.85	$12,173.89	$10,575.57

Gfund: $25 investment at day 0 and weekly contributions starting at $5 and increasing by 5% annually. Total contributions of $8,487.15.
Roth: Initial investment of $25 and subsequent investments of $5 a week (increasing by 5% every year thereafter) into a non-interest bearing account until week 183 when the account reaches $1,000. Then a $1,000 initial investment in a Roth IRA with subsequent weekly investment beginning at $5.79 and increasing by 5% each year.

3.3 Scenario Three

Our final *my*RA scenario assumes that the investor contributes $25 at time zero and begins contributing $5 a week in week 1. Every year the investor increases this weekly contribution by 10%. Weekly contributions in year 1 are $5 ($260 total for the year) and $30.58 in year 20 ($1,590.16 total for the year). In twenty years, the account balance is $17,691.92. However, at this point in time, *my*RAs are only allowed to grow to $15,000 before they have to be converted to regular Roth IRAs. In week 967 (18.60 years) the account balance is $14,987.45. The investor would need to convert the *my*RA (or a portion of the account) to a Roth to avoid going over the $15,000 account limit.

For our Roth IRA, our investor begins at time zero with $25 and then starts saving $5 a week. Each year the weekly contributions increase by ten percent. The investor initially saves $25 at time zero in a non-interest bearing account. The investor then initially contributes $5 a week and increases the weekly contributions by 10 percent each year. In week 174 our investor has accumulated $1,000 and opens a Roth IRA. The investment outcomes range from $18,567.75 (VFSTX) to $78,159.93 (PRSVX). This compares to $17,691.92 with the *my*RA. Total investor contributions are $14,781.50. Results are shown in table 8.

Table 8: Account Balances for Scenario Three

	VDIGX	PRSVX	DODFX	FTBFX	VFSTX	Gfund
Avg	16.90%	18.93%	14.42%	7.18%	4.14%	2.32%
Year						
5	$2,010.06	$2,052.58	$1,934.48	$1,758.41	$1,693.52	$1,703.33
10	$8,256.38	$8,880.70	$7,240.68	$5,291.39	$4,702.41	$4,610.80
15	$24,537.09	$27,810.27	$19,647.01	$11,796.17	$9,826.43	$9,522.96
20	$65,247.52	$78,159.93	$47,532.74	$23,581.05	$18,567.75	$17,691.92*

Gfund: $25 investment at day 0 and weekly contributions starting at $5 and increasing by 10% annually. Total contributions of $14,781.50. *Account balance reaches $14,987.45 in week 967 (18.60 years). At this point the account must be converted to a Roth.
Roth: Initial investment of $25 and subsequent investments of $5 a week (increasing by 10% every year thereafter) into a non-interest bearing account until week 174 when the account reaches $1,000. Then a $1,000 initial investment in a Roth IRA with subsequent weekly investment beginning at $6.66 and increasing by 10% each year.

4. RESULTS

Given the low rates of return for the G Fund, it is not surprising to find that the three equity fund alternatives for the Roth (after expenses) outperformed the *my*RA account. Of course, the risks associated with the equity funds are substantially greater than the risk associated with the G Fund and therefore these results should be expected. As noted earlier, the only risk associated with the G Fund account is the risk to income. That is, the contributions to the G Fund are guaranteed because they are invested in Treasuries. The equity funds' contributions are subject to the risk of the financial markets.

The two bond fund alternatives perform better on an after-expense basis compared to the *my*RA account. However, their account balances are not substantially greater than the *my*RA account balance. This should not be surprising as the Vanguard Short-term Investment Grade fund invests primarily in short-term corporate bonds, asset-backed bonds, and Treasuries. The Fidelity Total Bond fund is also fairly low risk as 76 percent of its holdings are in investment grade corporate bonds and Treasuries.

Given these results, equity accounts in Roth IRAs are likely to be the best alternative for investors planning for retirement. However, for individuals with very low risk tolerance[6], *my*RAs might provide a better alternative over bond fund Roth IRAs. It should be noted however, that saving for retirement in bond funds is unlikely to offer returns that would allow an investor to retire in comfort if the *my*RA or Roth IRA bond fund is the sole source of retirement income[7]. Additionally, *my*RA accounts can only be held for 30 years or until the account reaches a balance of $15,000 before they have to be converted to a Roth IRA.

[6] Siegel (1998) would argue that equities, while appearing riskier in the short-run, are actually safer in the long-run due to mean reversion in stock returns.

[7] Research also indicates that most individuals do not allocate 100 percent of their holding to bonds. Waggle and Englis (2000) find that only 6.4% of individuals under the age of 45 in the lowest net worth quartile invest in all bonds. 3.4% of individuals in the highest net worth quartile invest in all bonds.

It should also be noted that none of the scenarios we evaluated are likely to be sufficient for retirement purposes. For instance, in scenario three ($5 weekly contribution increased by 10 percent a year), the largest annual contribution occurs in the final year and amounts to $1,590 annually. This is well below the current annual contribution limit of $5,500. While investors in lower income brackets are perhaps unlikely to be able to afford to invest $5,500 a year, it is to their advantage to increase their contributions by more than 10 percent a year or to invest more than $5 a week initially.

5. CONCLUSION

Based on our analysis, it appears that the best alternative would be for investors to begin saving for the $1,000 initial investment that it typical for opening Roth IRAs. Once this $1,000 is saved, investors should open a Roth IRA and invest in equity mutual funds.

Given the poor performance results of the myRA compared with equity mutual fund Roth IRAs, can myRAs work? Despite the fact that investing in an equity mutual fund Roth IRA should yield better outcomes, there are still uses for *my*RAs. One advantage that the *my*RA offers is that it can help new investors establish a disciplined approach to investing. While an investor can save small amounts until they reach the $1,000 initial contribution amount for a Roth IRA, a lower-income, new investor might find it tempting to reach into that savings when emergencies arise and before they have accumulated the necessary $1,000. If the money is already in a *my*RA account, the temptation to withdraw the contributions is likely significantly lower.

Another interesting use of a *my*RA is as a short-term savings account. This might be an exciting option for higher-income individuals, who still qualify to make IRA contributions, and have other retirement accounts such as 401(k)s. Investors who are saving for short-term needs (e.g. down payment for a house) and/or emergency needs could do well with a *my*RA account. With money market account rates at less than 0.5 percent, the G Fund (1.89 percent in 2013) could be an intriguing alternative to money market accounts for short-term needs. As noted earlier, contributions to *my*RAs can be withdrawn without taxes. Savvy investors could transfer *my*RA account funds to a Roth IRA to avoid reaching the $15,000 limit on *my*RA accounts until they reach the thirty year limit.

Perhaps the biggest hurdle that the *my*RA accounts face is the same hurdle that all savings opportunities face. How do you convince an individual who is financially illiterate to save/invest for retirement? If an individual is living paycheck to paycheck, will the possible investment outcomes entice lower income families to forgo consumption and save for retirement? In scenario two, our investor made total contributions of $8,487.15 over twenty years. The ending account balance for the *my*RA G-fund account was $10,575.57. This yields a total dollar return of $2,088.42 for the twenty year period. This outcome might seem discouraging to an individual who is likely making sacrifices to make contributions to a *my*RA account. If this is the case, it is likely that lower income individuals will not take advantage of *my*RAs. If *my*RAs are going to successful in encouraging lower income families to invest for retirement, the lack of financial literacy must be addressed.

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