TRUMP ACCOUNTS

UPDATED AS OF: 5/21/2026

Key Updates and Deadlines

- **Launch Date:** Contributions to Trump Accounts cannot be made before July 4, 2026
- **Enrollment is Open:** Parents and guardians will be able to enroll eligible children by filing IRS Form 4547 with their tax return or on the new, official trumpaccounts.gov website
- **Government Seed Money:** A one-time **$1,000** contribution from the U.S. Treasury will be deposited for eligible U.S. citizen children born between January 1, 2025 and December 31, 2028
- **Private Contributions**: Family, friends, and employers can contribute up to **$5,000** annually (indexed for inflation starting in 2028), which grows tax-deferred
    - Contributions from governments or charities do not count toward this cap
- **Investment Options:** Funds must be invested in low-cost index funds that track a major U.S. stock index, such as the S&P 500
- **Access:** Funds are managed by a parent/guardian until the child turns 18, when the account is essentially rolled into a traditional IRA, and withdrawal rules apply

Resources:

- https://www.kitces.com/blog/taxable-accounts-custodial-kiddie-tax-obbba-trump-accounts-one-big-beautiful-act-roth-rmd-529-plan/
- https://www.irs.gov/pub/irs-drop/n-25-68.pdf

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Corporate and External Donations

- **Dell -** A significant recent development is the $6.25 billion pledge from Michael and Susan Dell, which aims to provide an additional $250 in seed money to approximately 25 million children **aged 10 and under** who do not qualify for the federal $1,000 contribution due to their birth year. To qualify for the **$250** Dell contribution, children must live in a zip code where the median income is **$150,000** or less.
- **Employers That Have Publicly Announced Participation –** Many companies have pledged that they will match the U.S. government's initial $1,000 contribution to Trump Accounts for eligible employees' children. Some of the largest and most public announcements include JPMorgan Chase, Bank of America, Wells Fargo, BlackRock, BNY Mellon, Charles Schwab, Robinhood, SoFi, Intel, Broadcom, Comcast, Chipotle, Nvidia, Uber, Coinbase, Steak 'n Shake, and Turning Point USA.
- **Employer Contributions -** Employers may choose to contribute to the Trump Accounts for their workers or their workers' children, supporting early savings and financial readiness. Employers may also choose to offer employees a salary reduction program under a "cafeteria plan" so that employees can make pre-tax contributions to a Trump Account, up to $2,500/year (This <u>does</u> impact the annual $5,000 limit).

Should I Open a Trump Account?

If your child was born before January 1, 2025 and is currently under the age of 18, they are eligible for a Trump Account but will not receive the $1,000 federal seed contribution, which is only for children born between 2025 and 2028. Trump Accounts operate much like traditional IRAs after the child turns 18.

Characteristics include:

- Earnings and pre-tax contributions are taxed as ordinary income when withdrawn
- Required Minimum Distributions apply in retirement
- Investments are restricted to U.S. equity index funds
- Withdrawals are prohibited before the year the child turns 18
- Taxes and penalties on withdrawals before age 59 ½

The bottom line is that while the funds that parents put into Trump Accounts on their kids' behalf may grow to an impressive size, in reality, it's the act of the saving and investing itself that matters far more than the particular tax characteristics of the Trump Account. Children of parents who save

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to a 529 plan or a regular taxable custodial account could end up with just as much, or even more, on an after-tax basis, and with the possibility of more flexibility to use the funds before retirement to boot.

We do encourage clients to open a Trump Account for their children if they are eligible for the $1,000 seed contribution from the government, they expect to receive seed contributions from their employer, or they expect to receive contributions from a foundation.

Tax Implications

Earnings: These accounts offer tax-deferred growth, meaning dividends, interest, and capital gains are not taxed annually.

Contributions: Allowed contributions include up to $5,000 per year from individuals (after-tax) and up to $2,500 per year from employers, which is excluded from the employee's taxable income (pre-tax). Individual contributions do not receive any tax deduction.

Withdrawals: Upon withdrawal, after-tax contributions come out tax-free, while employer and government contributions, as well as all investment earnings, are taxed as ordinary income. Trump Account beneficiaries, and anyone who controls the account on their behalf (e.g., parents), will presumably be responsible for tracking which dollars within the Trump Accounts are pre-tax and which are after-tax. This will likely be done using Form 8606

Pro-Rata Distribution Rules: Upon withdrawal, Trump Accounts follow the same tax rules as traditional IRAs with basis: Each distribution is treated as part return of basis (which is tax-free) and part pre-tax (which is taxable as ordinary income). The tax-free portion is calculated as a pro rata amount based on the proportion of after-tax dollars in the account to the total account size. Additionally, withdrawals are generally prohibited before the year the child turns 18.

Kiddie Tax: Since Trump accounts are tax-deferred, there are no kiddie tax implications from age 0-18. If the child decided to convert the account to a Roth IRA or take withdrawals from pre-tax contributions, and the child is age 19-23, is a full-time student, and does not have enough earned income to provide at least half their support, then the conversion or withdrawal could be subject to the kiddie tax rules.

What are the Pros/Cons?

Pros:

- Tax-deferred growth, no tax implications until you take withdrawals
- Employer contributions receive favorable tax treatment
- No earned income required
- Ability to convert Trump Account funds to Roth, which could allow the account owner to pay tax on the funds in their account at relatively low rates early in their career and allow them to grow tax-free thereafter

Cons:

- Lack of flexibility
- Funds can only be withdrawn from the account penalty-free after age 59 ½ unless a specific exception applies - specified exceptions are the same as Traditional IRAs:
    - **Age -** after participant/IRA owner reaches age 59½
    - **Birth or Adoption -** distributions up to $5,000 per child for qualified birth or adoption expenses
    - **Death -** after death of the participant/IRA owner
    - **Disability -** total and permanent disability of the participant/IRA owner
    - **Disaster -** recovery distribution up to $22,000 to qualified individuals who sustain an economic loss by reason of a federally declared disaster where they live
    - **Education -** qualified higher education expenses
    - **Emergency Personal Expense -** one distribution per calendar year for personal or family emergency expenses, up to the lesser of $1,000 or vested account balance over $1,000
    - **Equal Payments -** series of substantially equal payments
    - **First-Time Homebuyers -** qualified first-time homebuyers, up to $10,000
    - **Medical -** amount of unreimbursed medical expenses (>7.5% AGI)
    - **Medical -** health insurance premiums paid while unemployed
    - **Military -** certain distributions to qualified military reservists called to active duty
    - **Returned IRA contributions -** if withdrawn by extended due date of return, not including earnings on these returned contributions

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Cons Cont'd:

- Funds could be a mix of after-tax and pre-tax contributions, resulting in tax complications
- Employer and government contributions, as well as investment earnings, will be taxed as ordinary income when withdrawn
- Required Minimum Distributions (RMDs) will apply later in life
- Investment choices are limited - funds must be invested only in U.S. equity index funds
- Withdrawals before age 18 are prohibited

Would it be better for me to open a UGMA or a 529?

UGMAs: The benefits of custodial (UGMA) accounts over Trump Accounts include more favorable capital gains taxation rather than ordinary income rates, along with full investment flexibility and no future RMD requirements. UGMA funds also have no withdrawal restrictions, allowing access before age 18 and providing full liquidity for any purpose that benefits the child. While unearned income may face the kiddie tax after the small annual exemption, long-term capital gains generally remain more tax-efficient than the ordinary-income treatment applied to Trump Account withdrawals.

529s: 529 Plans remain one of the strongest tools for education funding, offering tax-free growth and tax-free withdrawals when used for qualified education expenses. They also provide broader investment options than a Trump Account (though still not unlimited), and many states offer state income tax deductions or credits for contributions. In addition, 529s allow you to change beneficiaries within the family or roll excess funds into a Roth IRA for the beneficiary, giving them flexibility that Trump Accounts do not.

Roth IRAs: Roth IRAs for kids - when they have earned income - can be significantly more tax-efficient over the long term, since investment earnings can ultimately be withdrawn completely tax-free when taken as qualified distributions.

529 Plans come with fees and expenses, and there is a risk they may lose money or underperform

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Please note: Trump Accounts were signed into law on July 4, 2025 as part of the "One Big Beautiful Bill Act" however, a lot of uncertainty remains around specific details that have yet to be finalized such as exact launch date, IRS final regulations, full tax treatment details, details regarding state-level tax treatment, final list of investment options, account administration mechanics, etc. The information in this document is subject to change.