

Trump Accounts - A New Tool in the Toolbox

As part of the One Big Beautiful Bill that passed in the summer of 2025, “Trump Accounts” were introduced as part of IRS Section 530A. Given that truly new account types don’t come around very often, these accounts received a lot of headlines and press. Furthermore, the administration chose to spur interest in the accounts by announcing a \$1,000 contribution from the US Treasury for every child born in calendar years 2025-2028.

From the JVL perspective, we see these accounts as another tool in the financial planning toolbox. We want to take time in this article to walk through the basics of Trump Accounts, how to open a Trump Account and compare Trump Accounts to other similar account types that might offer better outcomes depending on your planning needs.

Basics of Trump Accounts

Trump Accounts (“TAs”) are essentially starter retirement accounts for children. In that way, they borrow many of the characteristics from other familiar account types – the Individual Retirement Account (IRA) and 529 Education Savings Accounts. They offer tax-deferred growth and the ability to invest in long-term assets. Here are a few key features about the accounts and how to open them:

- An account can be opened for any child aged 17 and under, but only those born in 2025-2028 qualify for the \$1,000 US Government funding.
- Once the beneficiary does turn 18, the account is transferred into a traditional IRA in the name of the child, and the child will have full and complete access to the funds.
- Generally, only parents / legal guardians can open the account. There are exceptions for children whose parents have passed or are not present.
- To open, you first must file form 4547 - either through the parent’s tax return, on the IRS website via an individual’s IRS account, or on the TA website / app.
- Then, the account can only be opened via TrumpAccounts.gov. Eventually other custodians will be allowed to hold the accounts, but it must be initially opened via the TrumpAccounts.gov website / app.
- You can only have one TA per child (unlike an IRA). If you transfer to a new custodian, the old TA will be closed.
- Anybody can contribute to TAs on behalf of a beneficiary, up to a total of \$5,000 per year per beneficiary. Of that \$5,000, employers can contribute up to \$2,500 for employees or their dependents. Treasury contributions or contributions from other charities are not counted towards the \$5,000 annual limit.
- Government, employer, and non-profit contributions are pre-tax, while contributions by family members are after-tax.
- TAs have limited investment options, must be low-cost, index funds of US companies. For the initial account it is 100% invested in SPYM.

Note - as of October 2026, the Treasury department has announced that they will be auto-enrolling many beneficiaries in Trump Accounts. Parents still need to claim the accounts for their children according to the steps noted above.

Tax Treatment of Trump Accounts

As the Trump Account eventually turns into a traditional IRA, they operate similar from a tax perspective. Any growth on the account is tax-deferred, and tax is only due when withdrawals are taken from the account. While distributions are not allowed while the beneficiary is under age 18, any distributions taken prior to age 59 ½ are subject to ordinary income tax and a 10% penalty (with a few notable exceptions).

One helpful note is that parent contributions to TAs are made on an after-tax basis so any distributions taken from the account once the beneficiary turns 18 will consist of a prorated portion of the account basis and the account growth, resulting in a distribution that is partly subject to tax and penalty.

Roth Conversions as a Planning Consideration

One way to avoid a large tax hit upon distributions in retirement is to pursue Roth conversions in early adulthood. This conversion not only realizes tax while the now-adult beneficiary is (theoretically) in a lower tax bracket but also gives them more flexibility to withdraw funds during their early adulthood (as converted Roth basis can be withdrawn tax and penalty-free after 5 years). One thing worth noting - Roth conversions while the child is a dependent (or student in college) could be subject to Kiddie Tax rules, and likely prohibitive from a tax perspective.

Beneficiaries should evaluate Roth Conversions as a way to convert some or all of their pre-tax Trump Account dollars to an after-tax Roth IRA account at potentially lower tax brackets in their early adulthood.

Alternatives to Trump Accounts

Given the rather nuanced tax characteristics of Trump Accounts, it's worth discussing a few other account types that can provide an alternative for parents or grandparents looking to save and invest for their kids or grandkids.

529 Education Savings Accounts – A parent may prefer to fund a 529 account for their child if:

- The funds are intended to go explicitly to education expenses.
- You want to maintain ownership and control over the funds even after the beneficiary reaches adulthood
- You prefer tax-free growth and are willing to leverage the tax options a 529 provides (e.g., 529-to-Roth IRA conversion, transferring to family member, etc.).

UTMA Accounts – Also known as “Custodial Accounts,” you may prefer to fund an UTMA for your child if:

- You want your child to have ultimate withdrawal flexibility once they're an adult.
- You are interested in investing in things other than large cap US index funds.
- Additionally, there is a potential way to take advantage of kiddie tax rules while your child is a minor to leave them a similar amount of money in a more tax-advantaged way.

Roth IRA – A more well-known retirement option, parents may prefer to fund a Roth IRA for their children if:

- Their child is of working age and has earned income - Roth contributions are limited by earned income.
- They want to help their child save for retirement in a more flexible account.

Who Should Open a Trump Account?

In the end, we as financial planners always appreciate having another tool that allows us to think strategically about saving and investing. The hurdles noted above are not “bugs” of the account type, but rather “features” that need to be planned around.

The first level answer is that anybody who had a child born in 2025-2028 should certainly take advantage of the “free” \$1,000 pilot contribution being offered by the US Treasury.

After that, TAs likely make the most sense for someone who 1) has already fully funded their own retirement, and 2) has already made appropriate 529 contributions for expected education costs for the child.

If those things are both taken care of, the next most logical user of a Trump Account could be parents or grandparents looking to reduce their taxable estate whose kids and grandkids might benefit from the tax-deferred nature of Trump Accounts. Even in that case, careful consideration should be given to the pros and cons of Trump Accounts versus the other account types mentioned above.

As always, JVL exists to help our clients make informed decisions. If you have questions about Trump Accounts or other ways to save for your children and grandchildren, please contact us as we'd love to help.

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SOURCES

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