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Trump Accounts:
A New Long-Term Savings Opportunity for the Next Generation

Created by federal legislation enacted in 2025, Trump Accounts (530A plans) are a new investment vehicle designed to encourage long-term wealth building for American children. President Trump unlocked his eponymous child savings vehicle on July 4, 2026 – the country's 250th birthday.

The underlying policy goal is simple: provide children with an early investment account and let the power of compounding do most of the heavy lifting. Even relatively small balances invested during childhood have the potential to grow meaningfully over time.

Trump Accounts add another tool alongside 529 education plans, custodial accounts, and traditional family gifting strategies. They will not replace those familiar options, but in the right circumstances they may complement them nicely.

The idea is simple enough. The machinery is less so. Here is how the accounts work and where they may fit within a broader family wealth strategy.

Eligibility and Account Structure: Who Can Have a Trump Account?

Trump Accounts may be established for the benefit of children under 18 with valid Social Security numbers. Each child may have only one account. Oddly enough, U.S citizenship is only a requirement to receive the federal pilot funding described further below.

Because the beneficiary is a minor, an authorized adult initially serves as the account's "responsible party" (typically, a parent or legal guardian). The responsible party administers the account during childhood, but the child is the owner and beneficiary of the assets. To be clear, the money belongs to the child from the outset.

Accounts may now be established by submitting IRS Form 4547 through the authorized individual's IRS online account or with a federal income tax return. After the IRS processes the election, Treasury or its agent sends activation instructions to the email address provided on the form. The responsible party must complete the authentication and activation process before the account can be funded.

In practice, opening an account is a two-step process: the government handles registration and eligibility, while an approved financial institution ultimately holds and invests the money. The federal government opens the door; it does not manage the portfolio.

After an account is established, ongoing administration is relatively straightforward:

- Contributions can be made periodically (subject to annual limits).
- Investments are selected from a limited menu designed to emphasize low-cost, diversified, long-term equity exposure. In that respect, the accounts have some similarity to employer retirement plans or 529 plans, although their investment restrictions are unusually narrow.

The rules also permit the entire balance to be transferred later to another eligible Trump Account provider. For now, however, Trump Accounts remain inside the government's program, with BNY serving as Treasury's financial agent and Robinhood serving as the brokerage and initial trustee. Additional guidance governing transfers to other custodians remains pending. Availability at private custodians and advisory platforms is likely to develop over time, but families should confirm current options before assuming that an account can be managed alongside their other investment assets.

The account transitions to the child's control when the child reaches adulthood. At that point, the beneficiary assumes full authority over the assets and investment decisions.

Seed Funding: Federal Pilot Contributions

A central feature of the program is a one-time $1,000 federal "pilot" contribution. It is available for a child born between January 1, 2025 and December 31, 2028 who is a U.S. citizen with a valid Social Security Number. The contribution is not automatic: an eligible person must affirmatively request it on Form 4547, and the account must be activated before Treasury can deposit the funds.

Importantly, the federal seed funding does not count toward the annual contribution limits that apply to additional deposits made by families or employers.

Because these funds are invested from an early age, the program relies heavily on the power of compounding. Even modest returns over an 18-year horizon can significantly increase the value of the initial deposit. The government's $1,000 is hardly a fortune. But invested from birth, with nearly two decades for compounding before the child reaches adulthood, it is not nothing either.

Family Contributions

Parents, grandparents, and other family members may contribute to the account each year using after-tax dollars.

The current contribution limit allows up to $5,000 per child per year in ordinary individual and qualifying employer contributions. This is one combined account limit—not a separate $5,000 limit for each parent, grandparent, employer, or other contributor. The federal pilot contribution and certain broad-based contributions funded by governments or charities do not count against the limit.

Family contributions receive no federal income-tax deduction. Their advantage comes later: dividends, interest, and capital gains accumulate inside the account without being taxed annually.

Gift Tax Implications

From a gift tax perspective, contributions are gifts to the child. But the original legislation left behind an important loose end. Because the child generally cannot withdraw the funds during the growth period, would a contribution be treated as a gift of a future interest and therefore fail to qualify for the annual gift tax exclusion?

The IRS has now largely tied up that loose end. Revenue Procedure 2026-25 provides a safe harbor under which cash contributions to a Trump Account are treated as completed present interest gifts that qualify for the annual gift tax exclusion. In practical terms, a donor who stays within the annual exclusion and has no other reason to file a federal gift tax return generally will not need to file Form 709 merely because of a Trump Account contribution.

There is, naturally, some fine print. The safe harbor is subject to several technical requirements and does not apply if the donor is otherwise required to file or actually does file a Form 709 for that year. Donors who make reportable gifts, elect gift splitting, allocate generation-skipping transfer tax exemption, or otherwise file a gift tax return should consult their tax and estate planning advisors before relying on it.

Employer Contributions

One unique feature of Trump Accounts is the ability for employers to contribute to the accounts of employees' children. Employers may contribute up to $2,500 per year per employee, subject to the overall $5,000 annual account contribution limit. It's worth clarifying that the $2,500 employer contribution limit applies on a per-employee basis regardless of the number of the employee's eligible children.

Employer contributions generally receive favorable tax treatment:

- The contribution is deductible to the employer as a business expense.
- The contribution is typically not treated as taxable income to the employee.
- The contribution is not subject to payroll taxes when structured properly.

The favorable treatment does come with some machinery of its own. The employer must adopt a separate written program satisfying eligibility, notice, reporting, and nondiscrimination requirements similar to those applicable to dependent-care assistance programs. In other words, this cannot simply be a check written to an employee's child.

For business owners, that structure creates an opportunity to offer a family-focused benefit that may feel more meaningful (and may be more tax efficient) than another dollar of cash compensation. If employers embrace the idea, their contributions could become one of the program's more consequential features.

Investment Structure

During the growth period, assets must be invested in qualifying mutual funds or ETFs that track a broad index of primarily U.S. equities, use no leverage, and charge no more than 0.10% in annual fees and expenses. These are long-term investment accounts, not short-term savings vehicles.

Those guardrails should discourage excessive fees and speculative trading. But guardrails are also constraints: a Trump Account offers considerably less investment flexibility than a conventional brokerage or custodial account.

This is also where comparisons to 529 plans can become misleading. Distributions generally are prohibited before the year in which the child turns 18, after which the account generally becomes subject to traditional IRA rules. Withdrawals are not automatically tax-free: the taxable portion ordinarily is included in income, and an early distribution may also incur the 10% additional tax unless an exception applies.

The tradeoff is familiar: less flexibility in exchange for discipline, low costs, tax deferral, and a long runway for compounding.

Planning Considerations

PROS: While the accounts are relatively simple, they introduce several potential planning opportunities:

- First, the accounts may serve as an early financial education tool. Parents who contribute regularly may use the account to teach children about investing, long-term planning, and the value of compounding.
- Second, grandparents may find the accounts appealing as a vehicle for modest annual gifts. Because contributions count toward the annual gift tax exclusion, they can be funded without consuming lifetime gift tax exemption when the safe-harbor requirements are met.
- Third, business owners may consider whether employer contributions could serve as a differentiated employee benefit. A contribution to an employee's child's account may be perceived as a meaningful long-term benefit while remaining tax-efficient for the business.

CONS: In addition, there are a few potential limitations to keep in mind as well, especially in comparison with other options like 529 plans or Roth IRAs:

- There is no federal income tax deduction for family contributions.
- There is no tax-free withdrawal rule for education or other early-adult expenses.
- A modest combined annual funding contribution limit of $5,000 could present coordination challenges with multiple potential contributors (i.e., employers, parents, grandparents, etc.).
- The child is the owner of the account and ultimately controls it.
- During the growth period, the investment menu is limited to qualifying funds tracking broad indexes of primarily U.S. equities.

Final Thoughts

For an eligible child born from 2025 through 2028, opening and activating an account to claim the $1,000 federal contribution is generally worth serious consideration. Beyond that initial opportunity, funding priorities depend on the family's goals.

Families focused on education may prefer to maximize an appropriate 529 strategy first. Families seeking a modest, long-term account that the child will own may find annual Trump Account contributions attractive. Business owners may wish to evaluate an employer program, but only with appropriate plan and payroll support. Grandparents and other donors should coordinate contributions both with the child's family—to avoid exceeding the $5,000 account limit—and with their tax advisors if they make other gifts or file gift-tax returns.

Trump Accounts add a useful option to the planning toolkit, but their name and federal seed contribution should not obscure their essential character: they are restricted retirement accounts owned by children. Used thoughtfully, they can complement education funding, family gifting, and a multigenerational wealth plan. Their value will be greatest when they are coordinated with the family's other planning priorities.

Selected Sources

- IRS: Trump Accounts
- IRS Form 4547 and instructions
- IRS Notice 2025-68
- IRS Revenue Procedure 2026-25
- TrumpAccounts.gov
