Trump Accounts 101

1. What Are Trump Accounts?

Trump Accounts are tax-advantaged savings accounts for children under age 18, created under the OBBBA (effective after 12/31/2025).

• Must be opened for a child with a valid Social Security Number
• Only one account per child
• Initially established by the U.S. Treasury, then may transfer to private institutions
• Designed for long-term growth with restricted access during the "growth period"

2. Growth Period

• Begins when the account is opened
• Ends December 31 of the year before the child turns 18
• No distributions allowed (with limited exceptions)
• Special rules override IRA aggregation rules during this period

3. Contributions

Types of Contributions:
• Government pilot: $1,000 one-time (for eligible birth years)
• Qualified general contributions (no basis created)
• Employer contributions: up to $2,500/year
• Qualified rollovers (no limit)
• Individual/family contributions

Contribution Rules:
• Annual limit: $5,000 (2025–2026, indexed after 2027)
• Must be made by December 31
• Generally non-deductible

4. Investment Rules

• Must be diversified, low-cost investments (≤0.1% expense ratio)
• Typically broad index funds (e.g., S&P 500)
• No individual stocks or speculative investments

5. Tax Treatment

• Growth is tax-deferred

• Contributions are generally after-tax
• Qualified general contributions are taxable upon withdrawal
• Post-growth distributions taxed similar to traditional IRAs

6. Distributions

During growth period:
• Generally not allowed
• Exceptions: rollovers, ABLE transfers, death

After growth period:
• Treated like traditional IRA distributions
• Subject to income tax and possible penalties

7. Planning Opportunities

• Early compounding potential
• Employer benefit strategy
• Roth conversion planning opportunities after growth period

9. Comparison Snapshot

Trump Accounts vs Other Accounts:
• No earned income required (unlike Roth IRA)
• More restrictive than UTMA
• Not education-specific like 529 plans
• Designed for long-term retirement-style savings