Seeding Wealth for the Next Generation

Leverage New Trump Account to Save for a Child's Future: What You Need to Know

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Trump Accounts, created by the One Big Beautiful Bill Act on July 4, 2025 and governed by Section 530A of the Internal Revenue Code, are now available. They officially launched on July 5, 2026.

Many may have heard of the $1,000 government seed deposit, available for American children born January 1, 2025 through December 31, 2028. But there's much more to consider about Trump Accounts. They're just one of many options for saving for a child's future, to be weighed against competing priorities of saving for college and planning for one's own retirement.

Trump Accounts: 10 Key Facts

- **Tax treatment.** Unlike Roth IRA or 529 accounts, earnings grow tax deferred, not tax free.
- **No access before age 18.** Funds in a Trump account can't be accessed by the beneficiary *or the account owner* at any time or for any reason before the beneficiary's age 18 (other than the beneficiary's death).
- **No income required.** Unlike traditional IRA or Roth IRAs, the beneficiary needn't have earned income.
- **Contributions limited.** Like IRAs, contributions are limited. However, individuals, *employers*, nonprofits and governments can contribute to open Trump accounts. Employer-deductible contributions *don't count as taxable income for the employee.* But they do count toward the annual limit and are limited to $2,500 annually (*per employee*, not per child).
- **One account per beneficiary.** Unlike many other options, it's one Trump Account per person. Only guardians, parents, siblings or grandparents can open it.
- **Account management.** BNY in partnership with Robinhood will initially manage Trump Accounts. Rollovers to other financial institutions are possible. Investments track a broad index of primarily U.S. equities, avoid leverage and *carry fees no higher than 0.1%.*
- **Social Security number required.** Only U.S. citizens are eligible. A Social Security number is required for both the contributor and the beneficiary.
- **Control changes hands at age 18.** Similar to UTMA accounts, control of Trump Accounts automatically shifts at age 18. Those wanting greater control over when a child can access funds should weigh the pros and cons of other options, including 529 plans and trust accounts. Like IRAs, trusts can't own Trump accounts.
- **Roth conversions possible.** Once the beneficiary turns 18, a Trump Account becomes an IRA, carrying the same distribution rules including conversions. Taxable conversions while the beneficiary is still in a lower tax bracket could be an incredibly valuable advantage in both the short term and the long run.
- **Counted as a student asset for FAFSA.** Unlike 529 plans which are counted 5.64% as a parent asset for FAFSA, Trump Accounts are considered a student asset. As such, they're assessed at 20%.

Trump Accounts: Quick Reference

Feature	Trump Account	529	UTMA Brokerage	IRA	Roth IRA	Permanent Life Insurance
Contributions	$5,000 (indexed)	No federal limit; state lifetime limit may apply	No limit	$7,500 (under age 50)	$7,500 (under age 50)	No government limit
Distributions	Taxable ordinary income; 10% penalty pre-age 59½ may apply	Qualified tax free	Taxed as capital gain	Taxable ordinary income; 10% penalty pre-age 59½ may apply	Qualified tax free	Generally Non-taxable*
Pre-tax option	No	No	No	Yes	Yes	No
Earnings requirement	No	No	No	Yes	Yes	No
Control	After age 18	No	State age of majority	Yes	Yes	Yes

How to Claim the $1,000 Seed Deposit

To enroll, the taxpayer must file IRS Form 4547 or register at trumpaccounts.gov. To administer Trump Accounts, taxpayers can download the app through the Apple App Store or Google Play.

Begin But Don't End with a Trump Account Discussion

Survivor needs should be part of every conversation about Trump Accounts. That especially holds true when the sole or primary breadwinner (or the breadwinner's employer) is supporting contributions to Trump Accounts, 529 accounts, UTMA/UGMA accounts, etc.

Talk about using life insurance protection to replace ongoing contributions to such accounts. Trust planning for a spendthrift or special needs child also may still be necessary and appropriate.

The Advanced Markets team is here to support you from beginning to end – bring your questions. We can help spot opportunities you may not even have realized existed. Let's talk.

WSFinancialPartners.com

Source:
https://www.irs.gov/trumpaccounts
https://bipartisanpolicy.org/explainer/what-to-know-about-trump-accounts/

* Life insurance cash value accumulates gradually over an extended period of policy ownership. Loans will accrue interest. Loans and withdrawals may generate an income tax liability, reduce the Account Value and the Death Benefit, and may cause the policy to lapse. Tax free assumes the policy is not a Modified Endowment Contract (MEC), the withdrawals do not exceed cost basis, and the policy does not lapse. There may be adverse tax implications for a policy classified as a modified endowment contract or if the amount of loans and/or partial surrenders exceeds the cost basis of the policy. Distributions, including loans, from an MEC are taxable to the extent of the gain in the policy and may also be subject to 10% additional tax if the owner is pre-age 59½.

Interest earnings grow tax deferred until received. Distributions from non-qualified annuities and IRAs are subject to ordinary income tax. Distributions from a Roth IRA are tax free after age 59½ if the plan has been established for at least five years. Withdrawals prior to age 59½ may incur a 10% IRS penalty tax in both Traditional IRA and Roth IRA plans and in non-qualified annuities.

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