

## **Trump Accounts and Family Wealth Planning**

### **Executive Summary**

Trump Accounts are a new child-focused savings vehicle established under federal law. Current IRS guidance describes a Trump Account as a type of traditional individual retirement account established by an authorized individual for the exclusive benefit of a child. The child is the account owner, while a responsible party generally manages the account while the child is a minor. Eligible children born from January 1, 2025, through December 31, 2028, may qualify for a one-time \$1,000 pilot program contribution from the U.S. Treasury if the required election is made and the eligibility rules are satisfied.

For families, Trump Accounts should be viewed as one additional planning tool, not as a replacement for 529 plans, child-owned Roth IRAs, UTMA/UGMA accounts, parent-owned taxable brokerage accounts, irrevocable trusts, or life insurance planning. Their best use depends on the family's goals, desired control, tax profile, and time horizon.

The core statutory framework is in place, but some administrative procedures remain subject to proposed regulations and ongoing IRS/Treasury implementation. Families should confirm current guidance before making elections or contributions.

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### **What Are Trump Accounts?**

A Trump Account is a type of traditional individual retirement account created for an eligible child. During the child's "growth period," special rules apply. The growth period begins when the account is established and ends on December 31 of the year before the calendar year in which the child turns age 18. During that period, investment choices, contribution rules, deductions, and distributions are restricted. After the growth period, most traditional IRA rules generally apply.

This structure makes Trump Accounts different from both education accounts and general custodial accounts. A 529 plan is designed primarily for education. A UTMA or UGMA account is a taxable custodial account that can be used broadly but generally gives the child control at the applicable age. A Trump Account is more retirement-oriented, with tax deferral and limited access during childhood.

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### **Who Is Eligible?**

A Trump Account can generally be established for a child who is under age 18 at the end of the year in which the election is made, has a valid Social Security number issued before the election, and has not already had a Trump Account election filed on the child's behalf.

The election is made using Form 4547, Trump Account Election(s), or through available IRS online procedures.

The \$1,000 pilot program contribution has additional requirements. To qualify, the child generally must be born after December 31, 2024, and before January 1, 2029, be a United States citizen, have a valid Social Security number, and have no prior pilot program election processed. The individual making the pilot program election generally must anticipate that the child will be that individual's qualifying child for the year of the election.

This distinction matters. A child may be eligible to have a Trump Account opened even if the child does not qualify for the \$1,000 government contribution.

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### **Government Contribution Provisions**

The government contribution is a one-time \$1,000 pilot program contribution from the U.S. Treasury for eligible children. It is not automatic. An authorized individual must make the required election, and Treasury must confirm that the account has been opened. IRS instructions state that no pilot program contribution will be deposited earlier than July 4, 2026.

For planning purposes, the government contribution may create an early investment base for young children. The practical benefit is time: funds contributed early may have many years to compound. Families should not assume future government contributions, future expansions, or special withdrawal rules unless those rules are confirmed by law or final guidance.

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### **Contribution Limits**

During the growth period, Trump Accounts may receive several types of contributions, including the \$1,000 pilot program contribution, qualified general contributions, qualified rollover contributions, section 128 employer contributions, and contributions from other sources such as parents, grandparents, the child, or another person.

Confirmed IRS guidance states that contributions cannot be made before July 4, 2026. During the growth period, the total of most non-excluded contributions is generally limited to \$5,000 per year, subject to cost-of-living adjustments after 2027. Section 128 employer contributions are subject to a separate \$2,500 limit during the growth period, but they also count within the overall \$5,000 annual limit for applicable contributions. Pilot program contributions, qualified general contributions, and qualified rollover contributions are not subject to that annual contribution limit.

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## **Investment Restrictions**

Trump Accounts are not open-ended brokerage accounts during the growth period. IRS instructions state that, during that period, a Trump Account may be invested only in eligible investments. An eligible investment is generally a mutual fund or exchange-traded fund that tracks an index of primarily United States companies and meets other requirements.

This can be helpful or limiting depending on the family. It may encourage diversified, long-term investing and reduce the risk of speculative decisions. However, it may not meet the needs of families seeking customized investment management, alternative investments, concentrated positions, or more advanced portfolio design.

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## **Tax Treatment**

Trump Accounts follow a traditional IRA framework, with special rules during the growth period. IRS instructions state that contributions during the growth period are not includible in the account beneficiary's income when made. Individuals do not receive a regular IRA deduction for Trump Account contributions. Pilot program contributions, qualified general contributions, and section 128 employer contributions do not create basis in the account. Contributions from other sources during the growth period generally do create basis.

This tax treatment differs from other common planning vehicles. A 529 plan may provide tax-free treatment for qualified education distributions. A Roth IRA is funded with after-tax dollars, and qualified Roth distributions may be tax-free. A parent-owned taxable brokerage account does not provide special tax deferral, but the parent retains control and flexibility.

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## **Distribution Rules**

During the growth period, distributions are generally restricted. IRS instructions identify permitted distributions during that period as qualified rollover contributions to another Trump Account, qualified ABLE rollover contributions at age 17 to an ABLE account of the account beneficiary, distributions of excess contributions, and distributions upon the account beneficiary's death.

After the growth period, beginning January 1 of the calendar year in which the child turns age 18, most traditional IRA rules generally apply. Distributions may be subject to income tax and may also be subject to the 10 percent additional tax on early distributions unless an exception applies, such as certain distributions for higher education expenses or first home purchases.

Families should not assume Trump Accounts operate like 529 plans, Roth IRAs, UTMA/UGMA accounts, or regular brokerage accounts.

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### Confirmed, Proposed, Pending, and Planning Observations

**Confirmed provisions:** Trump Accounts are a type of traditional IRA for eligible children; the child is the owner; contributions cannot begin before July 4, 2026; eligible children born from January 1, 2025, through December 31, 2028, may qualify for the \$1,000 pilot program contribution; and special rules apply during the growth period.

**Proposed provisions:** Treasury and the IRS have issued proposed regulations addressing the pilot contribution program and the rules for opening initial Trump Accounts. These proposed regulations are important, but families should recognize that proposed regulations are not the same as final regulations.

**Pending guidance:** Certain administrative and operational details may continue to evolve, including account activation, trustee procedures, online election mechanics, and future IRS instructions.

**Planning observations:** The usefulness of a Trump Account depends on the family's objectives. It may be valuable as a supplemental long-term savings vehicle, but it should be coordinated with education, retirement, estate, and cash-flow planning.

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### Comparison Table: Where Each Planning Vehicle May Fit

Goal	Common Planning Vehicles
Education	529 Plan, Parent-Owned Roth IRA
Home, Business, and Lifestyle Flexibility	UTMA/UGMA, Parent-Owned Taxable Account, Irrevocable Trust
Retirement	Child-Owned Roth IRA, Trump Account
Dynasty Planning	Irrevocable Trust, Permanent Life Insurance

## **Advantages**

Trump Accounts may appeal to families because they provide a structured long-term savings vehicle for children. The one-time \$1,000 government contribution may be valuable for eligible children. Contributions can begin early in life, creating a long investment horizon. The account may also be useful for children who do not yet have earned income and therefore may not be eligible to fund a child-owned Roth IRA.

Trump Accounts may also support financial education. Parents and grandparents can use the account to teach saving, investing, compounding, and long-term discipline.

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## **Limitations**

Trump Accounts also have limitations. Investment choices are restricted during the growth period. Distributions are limited while the child is a minor. After the growth period, traditional IRA rules generally apply, which may result in taxable distributions and possible early-distribution penalties unless an exception applies.

The account is owned by the child. Families that want long-term control, creditor protection, asset protection, or multi-generational planning may find irrevocable trusts more appropriate. Families focused primarily on education may still prefer 529 plans because qualified education distributions may receive more favorable tax treatment.

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## **Planning Opportunities for Parents and Grandparents**

Parents and grandparents may consider Trump Accounts as part of a broader family balance sheet. A 529 plan may remain the primary education vehicle. A child-owned Roth IRA may be attractive when the child has earned income. A UTMA or UGMA account may provide flexibility but eventually shifts control to the child. A parent-owned taxable brokerage account allows the parent to retain control. An irrevocable trust may be better suited for substantial gifts, creditor concerns, or dynasty planning.

A Trump Account may fit between these options. It can provide long-term, tax-deferred accumulation for a child without being limited solely to education. Grandparents may use it as one part of an annual gifting strategy, while parents may use it to build a disciplined long-term savings bucket.

## **What Families Should Do Now**

Families should first determine whether a child is eligible for a Trump Account and whether the child separately qualifies for the \$1,000 pilot program contribution. They should gather the child's Social Security number, date of birth, citizenship information, and the authorized individual's information before filing Form 4547 or using the IRS online process.

Second, families should clarify the planning goal. Education may point toward a 529 plan. Retirement-style accumulation may point toward a Trump Account or child-owned Roth IRA. Flexible family support may point toward a taxable account or UTMA/UGMA account. Long-term control or dynasty planning may point toward an irrevocable trust or permanent life insurance.

Third, families should coordinate contributors. Parents, grandparents, employers, and other contributors should understand the annual limits and confirm who is responsible for monitoring contributions.

Finally, families should monitor IRS and Treasury guidance. The account structure is new, and implementation is still developing.

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## **Conclusion**

Trump Accounts add a new option to the family wealth-planning toolkit. They may be most useful as a supplemental long-term savings vehicle for children, especially when combined with other tools such as 529 plans, Roth IRAs, taxable accounts, custodial accounts, irrevocable trusts, and life insurance.

No single account type is best for every family. The right structure depends on the intended use of funds, tax objectives, control, flexibility, and estate-planning goals. Families should evaluate Trump Accounts as one component of a coordinated plan rather than as a stand-alone solution.

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