

Trump accounts revisited

As part of the One Big Beautiful Bill Act (OBBBA) that was signed into law on July 4, 2025, the Trump administration launched a new type of savings account for children under age 18. Commonly referred to as Trump accounts, these tax-advantaged savings vehicles are designed to support long-term financial security, similar to an IRA.



On Dec. 2, 2025, the IRS issued Notice 2025-68 to provide initial guidance on Trump accounts, which fall under IRC Section 530A. The notice provides a general overview of the accounts and addresses several key operational issues. Although full regulations have not yet been issued, the latest notice provides clarification related to the establishment of these accounts, as well as contribution and distribution rules. Here's what we know so far.

Account establishment

The latest rules include the following guidance related to the establishment of Trump accounts under IRC Section 530A:

- The account must be established before the year in which the beneficiary turns 18.
- The account's beneficiary must have a valid Social Security number.
- Accounts can be established through the Treasury Department by authorized individuals using IRS Form 4547, Trump Account Election(s) or through an online application via trumpaccounts.gov (expected to launch mid-2026).

- The initial account will be held by one or more financial institutions designated by the Treasury Department. Once established, the authorized individual may complete a qualified rollover to another Trump account maintained by a bank or other qualified trustee. Partial rollovers are not permitted.
- Only one Trump account can exist per beneficiary.

Contribution rules

Contributions to Trump accounts are not tax deductible, but earnings grow tax deferred within the account. During the growth period (the period before the beneficiary reaches age 18), contributions are invested in low-cost U.S. equity index mutual funds or ETFs, and fund expenses are capped at 0.1%.

The following contribution rules also apply:

- Other than the initial federal pilot contributions, no contributions are permitted until July 4, 2026.
- Eligible U.S. children born between 2025-2028 can receive a \$1,000 government contribution.

- Parents, family members and other individuals can contribute up to \$5,000 per year per beneficiary. This amount will be indexed for inflation after 2027.
- Employers can contribute up to \$2,500 per year per eligible child by establishing a Trump Account Contribution Program. These contributions are excluded from the employee's taxable income, but they count toward the \$5,000 overall contribution limit.
- One important note regarding contributions: Under the enacted statute as of July 4, 2025, and absent subsequent technical corrections, individual contributions don't qualify for the annual gift tax exclusion (\$19,000 in 2026, per donor, per donee) or the generation-skipping transfer (GST) tax exemption. Accordingly, donors would need to use their lifetime gift and/or GST tax exclusion amount and file an annual gift tax return, even if no gift or GST tax is due.

Distribution and withdrawal rules

Because Trump accounts are intended to serve as long-term savings vehicles, withdrawals are typically not permitted until the beneficiary reaches age 18, with the exception of qualified rollovers to another Trump account. Once the beneficiary is 18, the account is subject to the same withdrawal rules that govern traditional IRAs, including:

- Distributions are taxed as ordinary income.
- With certain exceptions, a 10% early withdrawal penalty typically applies to distributions taken before the beneficiary reaches age 59 ½.
- The accounts are subject to required minimum distributions (RMDs) once the beneficiary reaches a certain age (currently age 75 for those born after 1960).



What this means for families

The notice provides some clarity to families hoping to take advantage of this new savings opportunity; however, it's not comprehensive guidance. The Treasury Department and IRS plan to issue additional guidance related to governing instruments, reporting requirements, eligible investments, contribution source tracking, coordination with other IRA rules and employer contribution programs.

In the meantime, families can monitor trumpaccounts.gov for updates and the release of the online election tool. Parents of children born between 2025-2028 can also prepare to take advantage of the federal pilot contribution program's \$1,000 government contribution.

Trump accounts have the potential to give millions of eligible American children a meaningful head start toward building a more secure financial future. Talk to your advisor about how these accounts can support your child's long-term financial goals.

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