IRA CLUB
SELF-DIRECTED RETIREMENT SPECIALISTS

CLIENT RESOURCE GUIDE

Trump Accounts: What Families Should Know Before They Invest

A plain-language guide to the new child savings accounts created by the 2025 tax law — eligibility, contribution limits, investment rules, and how they fit alongside your family's broader retirement and college-savings strategy.

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WHAT'S INSIDE

A Quick Guide to This Resource

Trump Accounts are a brand-new type of tax-advantaged account for children, created by the 2025 federal tax law and officially opened for contributions on July 4, 2026. Because they are structured as a special type of IRA, IRA Club clients and their families are asking us how these accounts work, how they differ from a Roth IRA or a 529 plan, and what happens once a child's account is no longer restricted by the special rules that apply while they are a minor. This guide answers those questions in plain language.

A note on how to use this guide

This resource summarizes the framework Congress created and the guidance issued by the Treasury Department, IRS, Department of Labor, and Social Security Administration through July 2026. Rules in this area are still being finalized, and several pieces of guidance are only in proposed form. Details may change. This guide is educational only — see the disclosure on the final page.

01 The Basics: What Is a Trump Account?

A Trump Account is a special-purpose Individual Retirement Account established for a child. It was created by the One Big Beautiful Bill Act (H.R. 1), signed into law on July 4, 2025, and the program formally launched — meaning money could actually start flowing in — exactly one year later, on July 4, 2026.

Functionally, it is a traditional IRA titled for the benefit of a minor, but it carries a separate set of rules that apply only while the child is under 18. The law refers to this stretch of time as the account's **"growth period"** — running from when the account is opened through December 31 of the year the child turns 17. Once the growth period ends, the account is treated like any other traditional IRA.

Why the accounts exist

The idea of a government-seeded child savings account has circulated in Washington for years, with similar bipartisan proposals from lawmakers on both sides of the aisle. The stated goal behind Trump Accounts is to give children an early, tax-advantaged head start toward retirement savings, higher education, or a first home — without requiring the child to have earned income first, which is normally a prerequisite for contributing to any IRA.

Key dates at a glance

Date	Milestone
July 4, 2025	H.R. 1 signed into law; Trump Accounts created
Early-mid 2026	IRS Notice 2025-68, proposed regulations, and Form 4547 released
July 4, 2026	Official program launch; contributions permitted for the first time
Ongoing through 2026	Additional final regulations expected (investments, employer contributions, reporting)

02 Who Qualifies, and How an Account Gets Opened

A child qualifies as an "eligible individual" if they are under 18, have a Social Security number, and no one else has already opened an account for them. Importantly, the government is not automatically opening accounts on families' behalf — Treasury decided against automatic enrollment, citing legal restrictions on sharing taxpayer data. That means a parent or other authorized person has to take an affirmative step to open the account.

Two ways to open an account

- **File IRS Form 4547** ("Trump Account Election(s)"), either on paper, through a tax return, or electronically through a taxpayer's IRS Individual Account.
- **Use the online tool** at trumpaccounts.gov, the federal government's dedicated portal for the program.

Who is allowed to make the election

Priority generally runs, in order, to a legal guardian, parent, adult sibling, or grandparent. If a child has two parents, either one may act. Whoever files must certify — under penalty of perjury — that they are authorized and that no one with higher priority has already acted.

A first account must always be opened through the Treasury Department's own designated provider (an "initial Trump account"). After that, the full balance can be rolled over to a different IRA custodian of the family's choosing (a "rollover Trump account") — but only one funded account may exist for a child at any time, and the entire balance has to move together.

Who is currently serving as custodian?

The Treasury Department has designated The Bank of New York Mellon as its financial agent for the program, working with Robinhood as the initial brokerage and trustee. Families who want a different long-term home for the account — including one with a broader menu down the road — will need to complete that rollover process once the account is open.

03 Contribution Rules and Annual Limits

During the growth period, total contributions from the child, parents, or other individuals are capped at **$5,000 per year** (indexed for inflation starting in 2028). Certain contribution sources fall outside that cap entirely:

Contribution Source	Counts Toward the $5,000 Cap?
Parents, family members, or the child	Yes
Employer contributions (incl. payroll deferrals)	Yes
Federal government's $1,000 seed contribution	No — exempt
State, tribal, or non-profit contributions	No — exempt
Rollover from another Trump Account	No — exempt

Contributions are not tax-deductible, but they do create cost basis — meaning the child won't owe income tax again on that portion when it's eventually distributed. Money must go in by December 31 each year; unlike a normal IRA, there's no grace period to contribute up until the following year's tax deadline.

Employer contributions

Employers may contribute up to $2,500 per year, tax-free to the employee, toward the Trump Account of an employee's child or other dependent (this is a per-employee limit, not per-child). The Department of Labor has indicated that contribution programs limited to employees' dependents generally will not be treated as ERISA-covered retirement plans, which keeps the compliance burden on employers relatively light.

Gift tax relief for family contributions

Because a child can't touch the money until 18, the IRS initially flagged that contributions from grandparents or other relatives could technically be treated as a "future interest" gift — which would disqualify them from the normal annual gift-tax exclusion and require a gift tax filing. The IRS has since issued a safe harbor (Revenue Procedure 2026-25) that lets most family contributions qualify for the standard annual exclusion ($19,000 per donor per child in 2026) without any gift tax paperwork, as long as total gifts to that child for the year stay under the exclusion amount.

04 The $1,000 Federal Seed Contribution

Separate from the accounts themselves, Congress created a one-time pilot program that seeds eligible children's accounts with $1,000 from the federal government. This is a temporary program and is not guaranteed to continue past 2028 — but the underlying Trump Account itself is a permanent part of the tax code either way.

To qualify, a child must:

- Be a U.S. citizen with a Social Security number
- Be born after 2024 and before 2029
- Be claimed (or expected to be claimed) as a dependent on someone's tax return
- Not already have received a prior $1,000 election

The claiming individual elects the contribution on the same Form 4547 used to open the account, or through trumpaccounts.gov. Only the first election processed for a given child is honored — later duplicate claims are rejected, and knowingly improper claims can trigger a penalty of $500 to $1,000. The $1,000 itself is not treated as taxable income to the child, and it cannot be seized to offset a family's other federal debts.

05 How the Money Can Be Invested

This is the point where Trump Accounts diverge most sharply from the self-directed IRAs IRA Club typically administers. During the growth period, the law restricts investments to a narrow category: low-cost, broad-based U.S. equity index mutual funds or ETFs.

To qualify as an eligible investment, a fund must:

- Track a broad U.S. equity index (such as the S&P 500) rather than a single industry or sector
- Carry a total expense ratio of 0.10% (10 basis points) or less
- Avoid the use of leverage

Alternative assets, real estate, private placements, individual stocks, and other holdings common in self-directed retirement accounts are **not permitted** inside a Trump Account while the child is a minor. Treasury has named State Street, BlackRock, and Vanguard as the initial fund providers, with a State Street S&P 500 ETF (SPYM) set as the default holding.

Why this matters for self-directed investors

Families accustomed to the flexibility of a self-directed IRA should know that a Trump Account will not offer that flexibility during the growth period — by statute, not by custodian choice. The broader investment menu families associate with a self-directed account only becomes available once the account converts to a normal traditional IRA, which happens no earlier than the year the child turns 18. See Section 8.

06 When Money Can Come Out

With limited exceptions, no distributions are permitted until January 1 of the year the child turns 18. There is no hardship-withdrawal option during the growth period, and the trustee cannot voluntarily close the account early and pay it out. The exceptions that do exist are narrow: a trustee-to-trustee rollover to another Trump Account, a rollover to an ABLE account (available only in the year the child turns 17), and corrective distributions of excess contributions.

Once distributions are allowed, they're taxed the same way as a traditional IRA: contributions made by the child or family come out tax-free (since they were made with after-tax dollars), while everything else — earnings, the $1,000 federal seed money, and employer or charitable contributions — is taxed as ordinary income when withdrawn. The usual 10% early-withdrawal penalty for distributions before age 59½ applies, though the standard IRA exceptions (first home, qualifying education expenses, birth or adoption, and a limited emergency-expense exception) are available.

07 Trump Accounts vs. 529 Plans vs. Custodial Roth IRAs

Feature	Trump Account	529 Plan	Custodial Roth IRA
Needs earned income?	No	No	Yes
Annual contribution cap	$5,000 (indexed)	None (state-set)	Earned income, up to IRA limit

Feature	Trump Account	529 Plan	Custodial Roth IRA
Investment menu	Low-cost U.S. index funds only	State plan's menu	Broad — depends on custodian
Access before 18	Generally none	Anytime, for qualified expenses	Contributions only, anytime
Use for K-12 / college	Not tax-advantaged	Tax-free	Not tax-advantaged
Use for retirement	Yes — that's the design	No	Yes

In short: a 529 plan remains the more tax-efficient tool if the goal is purely education spending. A Trump Account is designed for a longer horizon — it behaves like a retirement account from day one, just one that a family can fund on a child's behalf well before that child ever earns a paycheck.

08 What Happens at Age 18 — and How IRA Club Can Help

Starting January 1 of the year a child turns 18, the special Trump Account rules fall away and the account becomes a normal traditional IRA — including normal IRA contribution rules (which now require earned income), normal distribution rules, and, importantly, **the normal, much broader menu of allowable IRA investments.**

At that point, families have a few paths worth planning for in advance:

- **Convert to a Roth IRA.** Because many 18-year-olds have little or no income, this is often the lowest-tax moment they'll ever have to convert — the account's earnings are taxed at conversion, but frequently at a very low or even 0% bracket.
- **Roll the account into a self-directed IRA.** Once the growth-period restrictions lift, the account is eligible to be moved into a self-directed traditional or Roth IRA, opening the door to real estate, private placements, precious metals, and the other alternative-asset categories IRA Club clients already use.
- **Leave it invested as-is.** Nothing requires the family or the new adult account holder to move the money; the low-cost index fund strategy can simply continue under normal IRA rules.

Planning ahead with IRA Club

If your family has opened — or is considering opening — a Trump Account for a child, it's worth having a conversation now about what you want that account to become once the growth period ends. Because only one funded Trump Account can exist per child, and because the investment menu is fixed by law until age 18, there's little to actively manage today — but there's real value in mapping out the Roth-conversion and self-direction decision before that birthday arrives. Call IRA Club at 312-795-0988, or reach out through iraclub.com, and we'll walk your family through the options.

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