Understanding Trump Accounts: The New Way to Save for Kids

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"Trump Accounts" are a new type of tax-deferred savings and investment account for minors. Here's how they work.

KEY TAKEAWAYS

- Trump Accounts, a new tax-deferred savings option for children, are set to launch in 2026. Starting after July 4, 2026, contributions can be made for children under 18 to support long-term, tax-deferred growth.
- These accounts offer potential benefits along with important rules, including tax-deferred investment growth, a possible $1,000 federal seed contribution for eligible children born between 2025 and 2028, annual contribution limits generally capped at $5,000 per child, and investment restrictions. Withdrawals are typically allowed after the growth period, with taxes and possible penalties applying.
- Trump Accounts are designed to complement—not replace—other planning tools such as 529 plans. Because earnings are generally taxable upon withdrawal, families should compare Trump Accounts with 529 plans and custodial accounts and consult their financial advisor and tax professional to determine the best fit for their goals.

What Are Trump Accounts?

Designed to help U.S. children get an early start on long-term saving and investing, Trump Accounts are similar in concept to education savings plans or retirement accounts. Starting after July 4, 2026, parents, guardians, employers, and others can contribute cash contributions to a Trump account for a child who has not turned 18 by the end of the calendar year the account is opened.[1]

Trump Accounts can build long-term savings early, giving children the opportunity to benefit from tax-deferred growth over time.

What Are the Key Features?

- **Tax-Advantaged Growth:** Investments are permitted to grow tax-deferred until funds are withdrawn, similar to a traditional IRA. [2]
- **Federal Seed Contribution:** Children born between January 1, 2025, and December 31, 2028, may be eligible to receive a $1,000 federal grant to start their account.[1]
- **Contribution Limits:** Contributions are limited to $5,000 per year per child, indexed for inflation beginning in 2028. Anyone can contribute — including parents, guardians, family members, and employers. Employer contributions are not included in the employee's taxable income, subject to limits (up to $2,500 per employee in 2026-2027; indexed for inflation thereafter).
- **Investment Options:** Accounts are expected to be limited to certain broadly diversified, low-cost investments such as index funds, exchange-traded funds (ETFs), and other investment vehicles that track broad-based U.S. equity indexes.
- **Withdrawals and Timing:** Withdrawals are generally permitted once the account's "growth period" ends--December 31 in the year the child turns age 17. The account is then subject to rules similar to traditional IRAs, including tax on the account earnings when distributed and early withdrawal penalties (if taken before age 59 ½), unless an exception applies.

How Do Trump Accounts Compare to Other Savings Options?

Trump Accounts share characteristics with both traditional retirement and education-focused accounts:

Traditional IRAs

Once the growth period ends, Trump Accounts operate similarly to traditional IRAs:

- Tax-deferred growth
- Earnings are taxed upon withdrawal
- Potential early withdrawal penalties before age 59½
- Certain exceptions may apply (such as qualified education expenses or first-time homebuyer provisions)

529 College Savings Plans

Trump Accounts may also resemble 529 plans in that contributions can come from many sources. However, key differences include:

- Trump Account earnings are generally taxable when withdrawn
- 529 plan earnings may be tax-free when used for qualified education expenses
- 529 plans often allow significantly higher contribution limits
- 529 assets may be transferred to other family members or, in some cases, rolled into a Roth IRA under specific rules

For many families, 529 plans may remain a primary tool for education planning.

When Will Trump Accounts Launch?

Trump Accounts are expected to become **available in 2026**, with the first contributions permitted after **July 4, 2026**. Administrative procedures—including account opening, custodial institutions, and final IRS guidance—are still being developed.

What You Can Do Now

While Trump Accounts are not active until **July 4, 2026**, there are proactive steps you can take today:

1. Plan Contribution Strategy

Estimate how much you or family members might contribute each year, considering the $5,000 annual limit and your broader financial plan.

2. Understand Tax Implications

Consult a tax professional to understand how Trump Accounts interact with other tax-advantaged savings plans like 529 education plans and custodial accounts.

3. Educate Family Members

Discuss possible extended family or employers' contributions, along with potential new contribution sources from charities and state governments in the future.

4. Monitor Regulatory Guidance

Final rules and custodial procedures are still being developed. Keep informed about IRS regulatory updates and financial institution guidance by asking your Financial Advisor.

5. Compare Alternatives

Evaluate Trump Accounts against other investment accounts to determine the best fit for your child's long-term financial goals.

Trump Accounts represent a new opportunity to introduce long-term investing early in a child's life. While the structure offers tax-deferred growth and potential federal support, you should consider how these accounts compare with existing strategies such as 529 plans, custodial accounts, and retirement savings priorities.

Your Financial Advisor can help evaluate whether a Trump Account may fit into your broader financial and legacy planning goals.

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Contact us today to discuss how we can put a plan in place designed to help you reach your financial goals.

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1. Trump Accounts | Internal Revenue Service
2. What to Know About Trump Accounts, Charles Schwab

Ref #: 2424400