STRATEGIC TAX PLANNING

Trump Accounts: A New Financial Head Start for American Families

By Jacob Linn

The One Big Beautiful Bill (OBBBA) introduced more than just expanded deductions and business incentives. It also created an entirely new type of savings program: Trump Accounts. These accounts, available to children born between 2025 and 2028, are designed to give the next generation a financial head start by combining an initial government-funded deposit, tax-advantaged growth, and the ability for families and even employers to contribute along the way.

For parents and grandparents seeking new ways to save for their children's future, Trump Accounts present both opportunities and challenges. While they share similarities with other tax-favored vehicles like Roth IRAs and 529 plans, their unique rules set them apart and make professional guidance essential for families considering how best to use them.

How Trump Accounts Work

Each child born in the United States between January 1, 2025, and December 31, 2028, will be automatically eligible for a Trump Account once a Social Security number is issued. Upon enrollment, the federal government will deposit a one-time $1,000 seed contribution into the account.

From there, families, friends, and even employers can contribute up to $5,000 annually per child, with the employer portion capped at $2,500. Employer contributions are treated like a tax-free fringe benefit, excluded from both the employer's and employee's taxable income. Other contributions, such as those made by parents or relatives, are made with after-tax dollars.

Accounts must be invested in low-cost index mutual funds that track broad U.S. stock market indices such as the S&P 500. Fund managers are prohibited from charging more than 0.1% in annual expenses, keeping fees extremely low and maximizing the compounding potential over time.

Growth Potential

Because of their design, Trump Accounts carry the potential to grow into a substantial nest egg if fully funded. According to Treasury projections, a child whose account receives the maximum annual contributions until age 18 could see balances of $191,000 to $676,000 by adulthood, depending on investment performance. If the account is left untouched until age 28, the balance could exceed $1.9 million in high-growth scenarios.

Even with no contributions beyond the initial $1,000 government deposit, a Trump Account could grow to between $3,000 and $13,800 by age 18, simply through compounding. For families willing to contribute consistently, the long-term growth potential is dramatic.

Rules for Withdrawals

Trump Accounts follow many of the same rules as retirement accounts:

- No withdrawals before age 18. Once the beneficiary reaches adulthood, withdrawals become available.
- Standard IRA rules apply after age 18. Withdrawals are generally taxable and subject to penalties if made before age 59½, with exceptions for qualified expenses.
- Key exceptions include: unlimited withdrawals for education expenses, and up to $10,000 for a first-time home purchase, mirroring current IRA rules.

This structure makes Trump Accounts particularly attractive for families saving for a child's education, first home, or future retirement.

Potential Drawbacks

While Trump Accounts offer real benefits, they are not without criticism:

- Added Complexity: The U.S. tax code already contains more than a dozen tax-favored savings vehicles including IRAs, Roth IRAs, 401(k)s, HSAs, and 529 plans. Trump Accounts add another layer to an already complex system.
- Overlap with Existing Accounts: For education savings, a 529 plan may still offer more flexibility and tax advantages. For health-related expenses, HSAs remain more generous.
- Restricted Access: Unlike other accounts, contributions cannot be withdrawn for any reason before age 18, limiting flexibility for families who may need earlier access to funds.

Still, for many families, the $1,000 federal seed contribution combined with employer participation could make Trump Accounts an appealing complement to existing savings tools.

Planning Opportunities

Families considering Trump Accounts should work with an advisor to determine how they fit alongside other planning strategies. Key considerations include:

- Maximizing Contributions: Consistently funding the account could create a significant long-term asset for your child.
- Employer Participation: Families should explore whether their employer offers contributions as part of a benefits package.
- Coordinating with Other Accounts: Trump Accounts should be weighed against 529 plans, custodial accounts, and Roth IRAs (for working teens) to create a balanced savings strategy.
- Long-Term Flexibility: For families already maxing out retirement and education accounts, Trump Accounts may represent an additional way to capture tax-advantaged growth.

The Bottom Line

Trump Accounts are one of the most talked-about features of the OBBBA. By providing a government-funded kickstart, opportunities for family and employer contributions, and low-cost investment growth, they could help millions of children enter adulthood with meaningful financial resources. At the same time, their restrictions and overlap with existing accounts mean they will not be the best fit for everyone.

At Strategic Tax Planning, we are here to help families understand how Trump Accounts work, project their potential benefits, and integrate them with broader financial planning goals.

We're Here to Help You Take the Next Step

If you are considering opening or funding a Trump Account for your child, our advisors can help you navigate the rules, coordinate contributions, and align the account with your overall financial strategy.

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Reach out today and do not miss our Individual Tax Planning Webinar on Tuesday, September 16, 2025, where we will cover Trump Accounts in detail along with other powerful strategies for individuals and families.