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The Investment Letter

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Helping the Next Generation? Start With the Why.

Each generation looks to give the next a financial head start. On July 4th this year, a new financial tool became available for families thinking about what that head start might look like. Called Trump Accounts, Section 530A of the tax code created a new type of retirement account for children, designed to encourage long-term saving and investing. Under the terms of the code, parents, guardians, and certain other authorized individuals can establish these accounts for eligible children, born between 2025 and 2028, with the federal government depositing a one-time $1,000 seed contribution.

It's an interesting new tool to get people from all walks of life to think about financial planning for our youngest children, but it also opens the conversation about how to best prepare those who will inherit the world we are creating today.

The account itself is only part of the conversation. When we're deciding where to put the money, how much we want to set aside, and how much flexibility we want to retain, the best next step is often to leave enough time to ask a more fundamental question:

What do we want to accomplish?

Financial Planning Starts with a Plan

Financial planning, like most things worth doing, works best when we don't give in to the natural temptation to begin with the vehicle: which account should we use? Finding the right financial strategy to support future generations starts with asking the right questions. Who are you trying to help? What do you hope the money will make possible? College? A firm financial footing as the child begins their adult life? A first home? A comfortable retirement, decades from now?

All of these represent worthy, but different, goals. Each calls for a different financial strategy, and the vehicle – the account you choose – should serve your goal, not vice versa.

A New Tool for a Familiar Question

Section 530A accounts help children save for the long term. These tax-advantaged accounts provide a long-term savings vehicle during a child's minority and are subject to contribution and investment restrictions. On January 1 of the year the child turns 18, most traditional IRA rules take over, and the young adult assumes responsibility for the account.

As a type of IRA, 530A accounts are retirement accounts, best suited for a child's longest range financial goals. After turning 18, withdrawals made before age 59½ generally remain subject to traditional IRA rules, including ordinary income tax and potentially a ten percent additional tax, unless they qualify under certain IRS exceptions for early-adult milestones such as higher education and qualifying first-home purchases.

These accounts represent an interesting opportunity to contribute to a child's long-term financial goals, but they are not a one-size-fits-all solution for every situation.

That is one reason why generational financial planning goes beyond simply ranking accounts by the attractiveness of their respective tax treatments. A sound planning model matches structure to purpose.

What does "Helping" Look Like?

Beyond merely transferring money, giving to future generations is about gifting choices and opportunity. Education opens paths and careers. Retirement accounts provide long-term financial security. A gift toward a first home can help someone establish roots. It's easy to get lost in the details when all you want is to help your descendants.

No two decisions will be alike because no two families are alike. Before making a contribution, ask what you hope your gift will enable, and when you want the money to become available. Consider how much flexibility the recipient should have when they spend it, and how much control you want to retain over how the money is used.

One Account Doesn't Fit Every Goal

When we examine giving options, beyond the new 530A accounts, we advise people to think of them as different, rather than competing, tools from the same toolbox.

A **529 plan** may be best in situations where education is the priority. Designed specifically for education savings, 529 plans offer tax advantages when withdrawals are used for qualified expenses. They have no federal annual contribution limit and, in 2026, are free from gift tax up to $19,000 per individual.

Consider also a **custodial account**, such as a UTMA or UGMA, which can also offer greater flexibility. Generally, money from custodial accounts can be used for a wide range of purposes that benefit the recipient, rather than being earmarked for education or retirement. However, remember that assets deposited into these accounts ultimately belong to the recipient, so you cede at least some control over how the money may be used later. Custodial accounts also have no federal contribution limit and are free from gift tax up to $19,000 per individual in 2026.

Taxable investment accounts held in the donor's name can provide even more control and flexibility. They have no age-based restrictions on when the money can be used, a benefit when your goal does not fit cleanly into a retirement or education account. The tradeoff is that you surrender some tax advantages offered by the more specialized accounts.

Later in a child's life, after they begin earning income, a Roth IRA may be another option to consider to build long-term retirement savings.

The point here is not to choose the account that offers the best tax advantages, it's to consider and examine the benefits and tradeoffs of each tool so you choose the one that best fits your strategy.

We Welcome These Conversations

The Trump Accounts have provided us with a great opportunity to revisit the topic of how best to preserve and share generational wealth. But you don't need to navigate these decisions alone. Sometimes, the best way to see the big picture is by talking it over with another person, especially someone who already knows your goals and strategies around retirement and estate planning, charitable giving, and broader financial goals and realities.

Generational wealth isn't just about what we leave behind one day. It's also about what we can make possible while we're here to see it. The most important part of giving isn't always how much – it's deciding why.

Inside The Office

We are excited to announce that this summer our colleague Drew Meyers, CFP®, Client Development Director, obtained his CERTIFIED FINANCIAL PLANNER® designation! This rigorous achievement is a testament of his deep commitment to the highest standards of financial planning and ethical excellence.

Congratulations Drew!