

HOW TO MAKE TRUMP ACCOUNTS GREATER

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ADVANCING AMERICAN
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TOPLINE: Congress should strengthen incentives for very wealthy Americans to donate to “Trump Accounts” by creating an increased Death Tax exemption for large Trump Account donations that brings parity with other charitable giving.

What Are Trump Accounts?

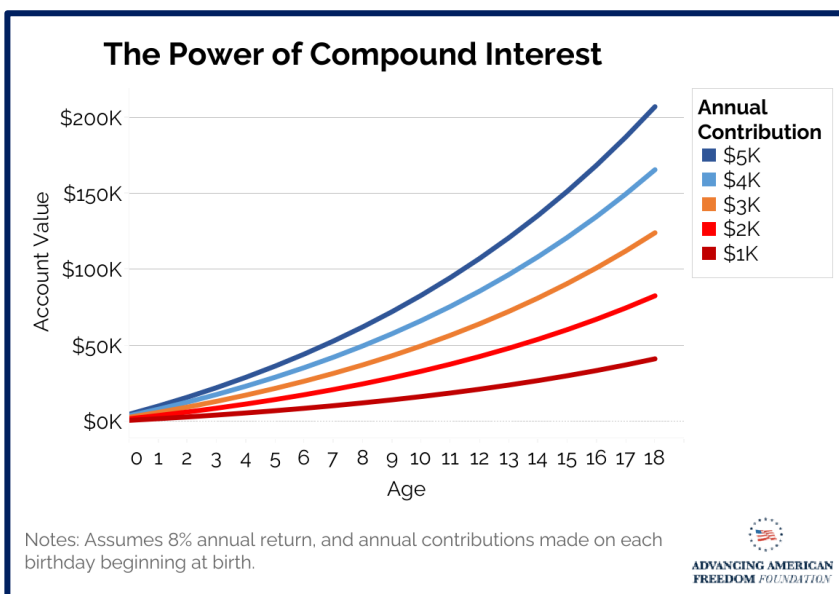
Trump Accounts are tax-advantaged savings accounts designed specifically for children under age 18. The accounts were created in the One Big Beautiful Bill.

- Up to \$5,000 (inflation-adjusted) per child per year can be added to the accounts.
- Investment gains that occur in Trump Accounts are untaxed until the beneficiary distributes funds from the account (generally not allowable until reaching age 18).
 - When the child beneficiary turns 18, their account becomes subject to the distribution rules of a traditional IRA.
- The Treasury Department will provide \$1,000 “seed” contributions into Trump Accounts for children born between 2025 and 2028.

The Best Feature of Trump Accounts

Trump Accounts are a tool to help parents and grandparents save for their kids, but they also allow philanthropists to give to groups of Trump Accounts (e.g., equal contributions to all kids with accounts in specific ZIP codes).

- **EXAMPLE:** Michael and Susan Dell pledged **\$6.25 billion** through their foundation to give \$250 each to the Trump Accounts of **25 million children** age 10 and under in ZIP codes with a median household income of less than \$150,000 (see below).



Key to Trump Accounts

The success of Trump Accounts in helping children start life as capital holders and learn financial literacy depends on people viewing the accounts as a viable way to give back to the next generation.

- The more people who follow Michael and Susan Dell's example, the better.

What is the Death Tax?

- When wealthy Americans die, their estates must pay a federal “Death Tax” before their assets can be inherited.



- While the first \$15 million of assets are exempt, under the “Death Tax,” most wealth is taxed at a 40% federal rate.
- The “Death Tax” is one of the most damaging taxes but only accounts for ~0.6% of federal revenues.

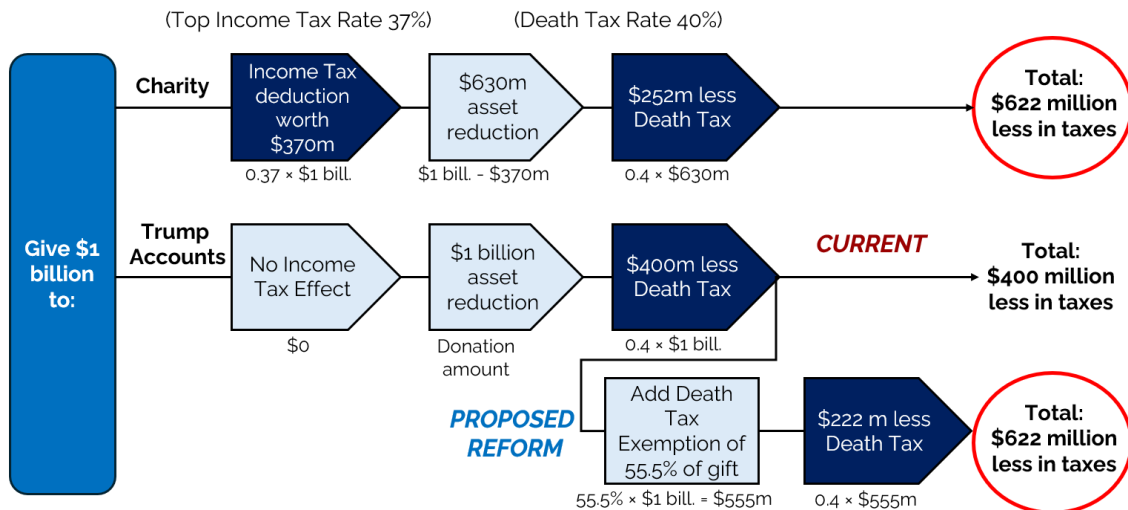
What Does the Death Tax Have to Do with Giving to Trump Accounts?

- Instead of giving 40% of the wealth they spent a lifetime building (and paying taxes on) to the federal government, high-net-worth Americans often create untaxed foundations, give to charity, and dedicate extensive resources to estate planning.
- High-net-worth individuals may prefer giving to kids' Trump Accounts, but the tax code incentivizes other charitable giving.
- Individuals in the top tax bracket who make charitable contributions may claim federal income tax deductions worth up to 37% of the donation amount.
 - The deduction isn't available for individuals donating to Trump Accounts. However, individuals may get charitable deductions for contributions to foundations/donor-advised funds that then donate to Trump Accounts.
- Giving to charity reduces “Death Taxes” only by reducing the size of one's estate.

Cut Out the Foundation Middlemen and Facilitate Direct Giving to Trump Accounts:

- Congress should allow an increased “Death Tax” exemption for individuals and estates that contribute directly to the Trump Accounts of unrelated children.
- To qualify for the increased exemption, the contribution should be spread evenly across children's Trump Accounts within a state, ZIP code, and/or age range.
- If Congress increased Death Tax exemptions by 55.5% of the contribution to Trump Accounts, it would be a **comparable tax advantage to other charitable giving** for high-net-worth individuals, as illustrated below.

Giving Large Trump Account Donations Parity with Other Charitable Giving



BOTTOMLINE: Trump Accounts could become an invaluable tool for developing financial literacy and demonstrating the value of wealth creators. Giving wealthy Americans a more viable option of contributing directly to the accounts of young Americans should lead to less dependency on the federal government.

