

Trump accounts

Giving a child a head start on retirement

Facundo Abraham, CFP® • Analyst
Katherine Tierney, CFA®, CFP® • Senior Strategist
Advice & Planning Research



The One Big Beautiful Bill Act (OBBBA) of 2025 created the Trump account, a “starter” IRA for children under age 18, available starting July 5, 2026. If helping a child save for retirement is one of your goals, this report can help you understand when and how to take advantage of Trump accounts.

An overview

A Trump account (also known as a 530A account) is a type of retirement account that can be established for any child with a Social Security number prior to January 1 of the year they turn 18 (“Pre-18”). A child can generally have only one Trump account at any given time. The election to open an account can be made by a legal guardian, parent, adult sibling or grandparent (in that order of priority). These

accounts are set up as custodial accounts: The child owns the assets, but the adult acts on the child’s behalf until the assets can transfer to the child.¹

A Trump account is essentially a traditional IRA with special rules before the child reaches age 18. Those rules relate to who can contribute, how much can be contributed, what investments are allowed and when distributions can be made.

¹ It’s unclear whether assets will transfer to the child at age 18 or based on your state’s age of majority (if different from 18). We’re awaiting regulatory guidance.

Special rules Pre-18

Features	Rules
Contributions	<ul style="list-style-type: none">• Allowed even if the child doesn't have taxable compensation• Child, family and other individuals can contribute• Limited to \$5,000 per year (2026 and 2027)• Not tax deductible• May receive pretax contributions from employers, government and qualified charitable organizations
Investment options	<ul style="list-style-type: none">• Low-cost U.S. equity mutual funds or exchange-traded funds (ETFs) only
Withdrawals	<ul style="list-style-type: none">• Generally not allowed, including Roth conversions²

Starting the year the child turns 18, normal rules of a traditional IRA generally apply. This means that, among other differences, contributions can be tax deductible but can only be made if the child has taxable compensation, funds can be invested in a broader set of investments and withdrawals are allowed (although taxes and penalties could apply).³

\$1,000 government seed money and other contributions

Children born between 2025 and 2028 will receive a one-time contribution of \$1,000 from the federal government, which doesn't count toward the annual contribution limit. Nonprofits, philanthropists and companies have also pledged to make contributions to designated groups of children.



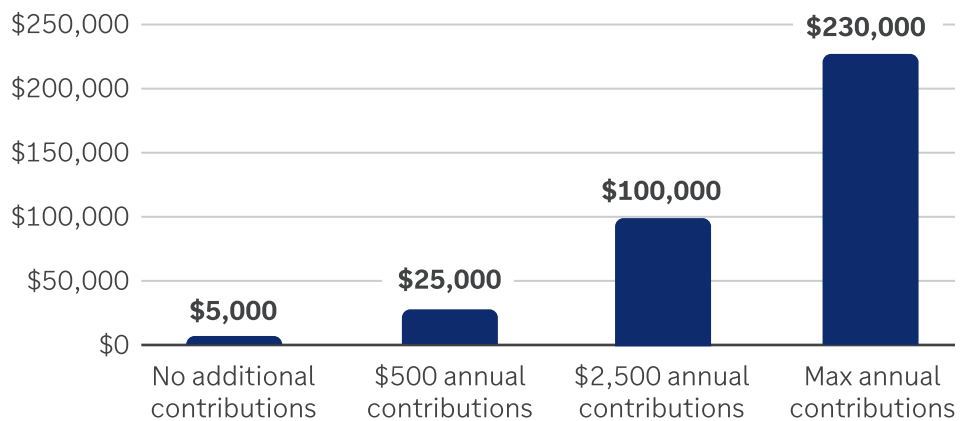
² Distributions Pre-18 are only allowed in the following cases: (1) to transfer the entire balance to a new Trump account, (2) to transfer the entire balance to an ABL account the year the child turns 17, (3) if the child passes away or (4) to correct contributions in excess of the annual limit.

³ A key remaining difference is that a Trump account isn't aggregated with other traditional IRAs to determine the share of a distribution subject to tax.

The following chart shows how much a Trump account could be worth after 18 years under different contribution amounts. If you consider that as little as \$25,000 in retirement savings in your early 20s can provide a strong foundation, Trump accounts can offer a meaningful head start for retirement, even with modest contributions.⁴

Potential value after 18 years

\$1,000 government seed money, plus additional contributions



Source: Edward Jones calculations. Assumes a 7.5% annual rate of return and that the account receives the \$1,000 government contribution. Maximum contribution scenario starts at \$5,000 (2026 and 2027 limit) and increases annually by 2.75%. This hypothetical example is for illustrative purposes only and does not reflect the performance of a specific investment. Values rounded to the nearest \$5,000.

Is a Trump account right for you?

Not everyone has the same goals for a child. Some might want to help them save for retirement, while others might prioritize paying for their education instead. In some cases, both goals might be important. Depending on your goals, different tax-advantaged accounts can make more sense.

If your goal is to help a child save for retirement

Contribute to a Trump account if:

- You're on track for retirement, and
- The child has maxed out contributions to a custodial Roth IRA or doesn't have taxable compensation.

An exception: Trump accounts through workplace plans

While it's unclear how widely they'll be offered, employers may allow pretax contributions to a child's Trump account through a workplace plan and can even offer contribution matches. We generally recommend funding a Trump account through a workplace plan before funding a Roth IRA if:

- You're eligible to receive a match (up to the match), or
- Receiving a tax benefit on the contribution is more important to you than potential tax-free growth for the child (up to the limit).

⁴ Source: Edward Jones, "What is the average retirement savings balance by age?"

Before you contribute to a child’s retirement, we recommend prioritizing your own. While a child has many years to save for retirement, you have a shorter time frame to make up for missed contributions.

When you help a child save for retirement, we generally recommend prioritizing a Roth IRA first (if the child is eligible) because they offer more benefits and flexibility than Trump accounts, as shown in the following chart. Roth IRAs are also generally more advantageous than traditional IRAs for young investors who tend to have low income.

After maxing out a Roth IRA (or if contributions aren’t allowed because the child doesn’t have taxable compensation), you can save in a Trump account. Note that you can make contributions to a child’s Trump account and a Roth IRA in the same tax year because Trump account contributions don’t count toward the child’s annual IRA limit.



Advantages of a Roth IRA for retirement	Advantages of a Trump account for retirement
<ul style="list-style-type: none">• Access to funds anytime• Contributions can be withdrawn tax- and penalty-free (taxes and penalties might apply to distribution of earnings)• More investment options, providing more diversification and ability to adjust risk	<ul style="list-style-type: none">• If available through an employer plan, individual contributions could be pretax and potentially receive an employer match

A word of caution

Keep in mind that, while you may intend the assets to be used for the child’s retirement, the child can use the funds however they want once they control the account. As a result, a child’s Roth or Trump account could end up serving less as a tool to help fund their retirement and more as a general wealth transfer strategy.

Another important consideration is that it remains unclear whether contributions to a Trump account will qualify for the annual gift tax exclusion. Before making contributions, consult with your tax professional to understand potential tax implications.

If your goal is to help a child save for education

We recommend using a 529 plan over a Trump account.

Trump accounts and 529 plans have different purposes: While the former are designed to save for retirement, the latter are meant for education savings. So, 529s have features that make them simpler and often more advantageous than a Trump account to save for education, as the following chart illustrates.

Advantages of a 529 plan for education	Advantages of a Trump account for education
<ul style="list-style-type: none">• Tax-free distributions for qualified education expenses• Effectively high contribution limits• Access to funds anytime (taxes and penalties might apply if not used for education)• Control over assets, including the ability to change the beneficiary• More investment options Pre-18, providing more diversification and ability to lower risk as a student approaches college age• Can offer state income tax deductions for contributions	<ul style="list-style-type: none">• More flexibility to withdraw funds not used for education starting the year the child turns 18 (taxes and penalties might apply)

Trump account for child born 2025–28

Make sure to open a new Trump account to receive the one-time \$1,000 contribution as well as other third-party contributions the child might be eligible for. But only make additional contributions when the above conditions apply.

How to open a Trump account

1. File the new IRS Form 4547.
 - You can file it with your tax return or anytime at **form.trumpaccounts.gov**.
 - If the child is eligible, you must explicitly elect to receive the \$1,000 government contribution.
 - Remember that a child can generally only have one Trump account open at any given time.
2. After submitting the form, an assigned Trump account trustee will contact you to complete setup.
3. Contributions can be made starting July 5, 2026.

What to do with a Trump account after age 18

If you open a Trump account, it's important to consider what the child should do once they gain ownership.

There are generally three options for a Trump account once the child turns 18:

- Keep the funds in the Trump account⁵
- Roll the funds over to a traditional IRA
- Convert the funds to a Roth IRA⁶

We generally recommend the **child starts converting their Trump account to a Roth IRA once they turn 18**. The child's income will typically be low, so it will generally make more sense to pay taxes then and avoid higher taxes later. Also, because retirement is many years away, the child will have a long time to benefit from the tax-free growth of a Roth account.

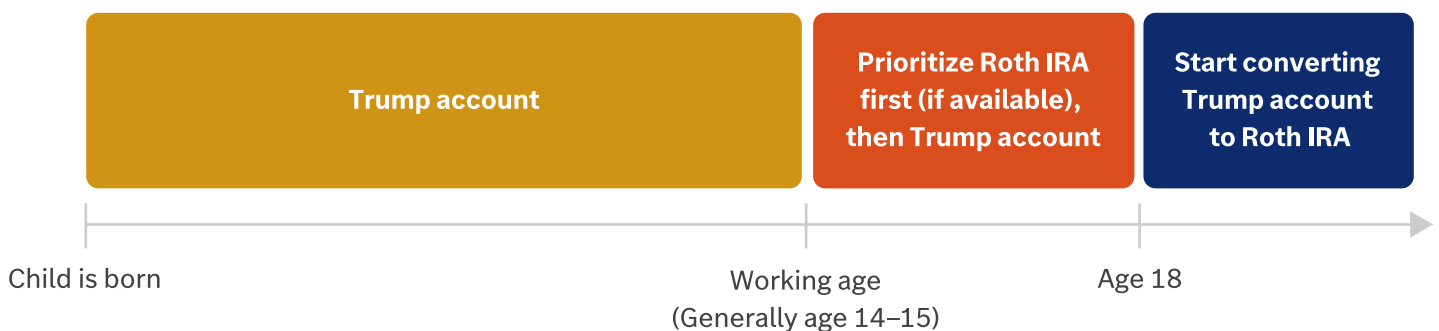
Roth conversion considerations

- **All at once versus over time.** Because the child may owe taxes, consider whether to convert the entire amount at once or spread the conversion over multiple years. The latter can make more sense if the amount subject to taxes is large or the child already has some income.
- **Beware of the kiddie tax.** While additional guidance is still needed, a child under age 24 who is a full-time student could be subject to the kiddie tax on converted amounts. This means the conversion might be taxed at the parents' higher marginal tax rate rather than the child's lower tax rate.

A tax professional and your financial advisor can advise on strategies to manage taxes from the conversion.

The following chart provides a path for how you might use a Trump account to help a child save for retirement.

Using a Trump account over time



⁵ The account agreement might state that the funds will automatically be transferred to a traditional IRA once the child turns 18. So, this option might not always be available.

⁶ Further IRS guidance is needed on whether the child can directly convert a Trump account to a Roth IRA or will have to transfer the funds to a traditional IRA first and then convert the assets to a Roth IRA. In either case, the child can convert funds to a Roth IRA and gain access to future tax-free distributions and other benefits of a Roth IRA.