



What is a Trump Account?

A Trump Account is a new type of retirement savings account designed specifically for children. Think of it as a "Starter IRA." It allows parents, grandparents, and even the government to put money away for a child's future. The account grows tax-free during the child's youth and eventually turns into a standard Traditional IRA when the child reaches adulthood.

Who can have a Trump Account?

Any child who has a Social Security number and has not yet turned 18 can have an account opened for them. To get started, an adult (usually a parent, legal guardian, or grandparent) must "elect" to open the account by the end of the year when the child turns 17.

How is the account opened?

The election must be made on Form 4547 or through the IRS electronic application/webpage made available for that purpose. The election is separate from the income tax return, although it may be submitted at the same time the return is filed.

Is there "Free Money" from the Government?

Yes, for some children. There is a "Pilot Program" that provides a one-time **\$1,000 contribution** from the government. To qualify for this \$1,000 deposit, the child must:

- Be a U.S. citizen;
- Be born between January 1, 2025, and December 31, 2028; and
- Have a Social Security number.

How much money can be put into the account each year?

For most families, the total limit for contributions is **\$5,000 per year**. This \$5,000 limit includes money put in by parents, the child, or even an employer.

It is important to note that the \$1,000 government pilot contribution and certain "rollovers" do not count toward this \$5,000 annual limit.

Are contributions by individuals tax deductible?

No deduction is allowed for contributions by individuals to a Trump Account. However, employer contributions to qualified employees are 100% tax-deductible to the employer.

Does my child need a job to contribute?

No. This is one of the biggest advantages of a Trump Account. Unlike a regular IRA, which requires the person to have "earned income" (wages from a job), a Trump Account can be funded even if the child is an infant and has no income at all.



Can my employer help fund my child's account?

Yes. Employers are allowed to contribute up to **\$2,500** per year to the Trump Account of an employee's child. This is a tax-free benefit for the employee, though these contributions do count toward the child's overall \$5,000 annual limit.

How is the money invested?

The law requires these accounts to be invested in broadly diversified, low-cost index funds. These required "index funds" (like those that track the S&P 500) charge a very low fees (0.1% or less). The account cannot hold "cash" for long periods, and it cannot be used to buy risky or complicated investments.

Can I take the money out if I need it?

Generally, **no**. During the "growth period" (before the child turns 18), the money is locked away. Unlike other retirement accounts, there are no "hardship withdrawals" for things like medical bills or tuition. The money can only be taken out in very rare cases, such as the death of the child or to correct an over-contribution.

What happens when the child turns 18?

On January 1 of the year the child turns 18, the "training wheels" come off. The account automatically begins following the rules of a standard Traditional IRA. At this point:

- The account holder can move the money into different types of investments.
- The account holder can convert the account to a Roth IRA if they choose.
- Standard rules for withdrawals and taxes apply. If money is taken out before age 59½, there is usually a 10% penalty (unless it is used for specific things like a first-home purchase or college costs).

Are there income limits for parents?

No. Currently, there are no income "phase-outs." Whether a family makes \$50,000 or \$500,000, they can open and contribute to a Trump Account for their child.

Can a child have both a Trump Account and another IRA?

Yes. Contributions may also be made to a non-Trump IRA for the same child if the ordinary IRA rules are satisfied, including the compensation requirement for the non-Trump IRA. Trump Account contributions are not counted toward the contribution limits for other IRAs.

Can a contribution made in one year be treated as made for the prior year?

No. A prior-year contribution cannot be made. A contribution counts for the year in which it is actually made, e.g., the final date for a 2026 contribution is December 31, 2026.



Conclusion

The Trump Account creates a new opportunity for long-term tax-advantaged savings for children, removing the "earned income" barrier that previously prevented most children from starting an IRA. While the rules regarding investments and early withdrawals are much stricter than a typical IRA, the trade-off is the ability to begin tax-advantaged compounding from birth. Taxpayers should ensure they open the account through the proper IRS forms or website and remain mindful of the \$5,000 annual aggregate limit to avoid penalties.

Sources

- [26 USC 128: Employer contributions to Trump accounts](#)
- [26 USC 530A: Trump accounts](#)
- Notice 2025-68: <https://www.regulations.gov/document/IRS-2025-0499-0001>
- [26 U.S. Code § 408 - Individual retirement accounts | U.S. Code | US Law | LII / Legal Information Institute](#)
- IRS Proposed Regulations REG-117270-25 [2026-04533.pdf](#)
- [Instructions for Form 4547 Form 4547 \(Rev. December 2025\)](#)
- [Initial Guidance for OBBBA Trump Accounts Issued | BDO](#)
- [26 USC 6434: Trump accounts contribution pilot program](#)
- [Trump accounts: What CPAs need to know | Professional Insights | AICPA & CIMA](#)

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