Trump Accounts

An Advisor's Guide to Section 530A Accounts

1. What It Is

Trump Accounts are retirement savings accounts for children, created under the One Big Beautiful Bill Act and operationally effective July 4, 2026.

They work much like a traditional IRA, but because the account owner is a minor, a parent or other responsible adult manages the account until the child reaches adulthood. Contributions are invested in approved U.S. stock index funds or ETFs, and the account grows over time.

Withdrawals before age 18 are generally limited. Once the child turns 18, most account-specific restrictions are removed, and the account is typically governed by traditional IRA rules.

Key points:

- Available to minors
- Owned by the child, managed by an adult until age 18
- Invested in approved U.S. index funds or ETFs
- Limited access to funds before age 18
- Generally follows traditional IRA rules after age 18

Bottom line for advisors

Trump Accounts are not a retirement plan and not a 401(k) feature. They are an individual, child-owned IRA variant that intersects with the workplace only through voluntary employer contribution programs (TACPs) and payroll deduction — both optional, and generally not treated as ERISA Title I pension plans under DOL guidance issued June 17, 2026, provided the arrangement stays within DOL's conditions.

2. Core Mechanics

Eligibility

- Any child who has not attained age 18 before the close of the calendar year in which the election is made, and who has a valid Social Security number, may have a Trump Account established.
- A separate, narrower eligibility test applies to the $1,000 federal pilot contribution: the child must be a U.S. citizen, have a valid Social Security number, and be born between January 1, 2025 and December 31, 2028.
- An account can exist without the federal pilot contribution (e.g., a child born before 2025) — it just won't receive the $1,000.

Opening an Account

- Parents or other authorized individuals request the account by filing IRS Form 4547 or using the official Trump Accounts process. Treasury or its agent then facilitates account activation with an approved trustee.
- Treasury establishes the initial-account framework. BNY has been designated as Treasury's financial agent for the program, and Robinhood serves as brokerage and initial trustee for Trump Accounts.
- During the growth period, a Trump Account may be moved only through a qualified direct trustee-to-trustee rollover of the entire balance to another Trump Account for the same beneficiary. Operational timing, provider availability, and transfer mechanics should be confirmed before advising a client to initiate a rollover.

Contribution Rules

Source	Annual Limit	Tax Treatment	Counts Toward $5,000 Cap?
Individuals (parents, grandparents, anyone)	Included in the $5,000 aggregate cap	After-tax; creates basis. Basis is not taxed on withdrawal, but earnings remain taxable under traditional IRA rules.	Yes
Employer (Trump Account Contribution Program)	$2,500 per employee per year	Excluded from employee income; taxable to child on withdrawal	Yes
Federal government (pilot contribution)	One-time $1,000 to eligible accounts	Taxable to child on withdrawal	No
State/local government or qualifying charity	No statutory cap for qualified general contributions, but must satisfy qualified-general-contribution rules, including an eligible governmental or 501(c)(3) source for a qualified class of beneficiaries	Taxable to child on withdrawal	No

The $5,000 aggregate limit is indexed for inflation starting in 2028. The $2,500 employer sub-limit is per employee, not per child. If an employee has multiple eligible children, the employer's program should specify how contributions may be allocated among those children.

Investments

- During the account growth period (which generally ends at the close of the calendar year before the beneficiary turns 18), funds must sit in an eligible investment: a mutual fund or ETF tracking a broad index of primarily U.S. companies (e.g., S&P 500), with no leverage.
- Expense ratio is capped at 0.10% of the fund balance — meaningfully tighter than most target-date or actively managed options.
- The growth period ends Jan. 1 of the year the child turns 18, after which the account is released from these restrictions and behaves like any traditional IRA.

Distributions

- No withdrawals are permitted during the growth period except for qualified rollovers to another Trump Account, qualified ABLE rollovers, corrections of excess contributions, and distributions upon the death of the beneficiary. A qualified ABLE rollover is available only in the calendar year the beneficiary attains age 17 and must be a direct trustee-to-trustee transfer of the entire Trump Account balance to an ABLE account for the same beneficiary.
- On the first day of the year the child turns 18, the account converts to a traditional IRA. Ordinary traditional-IRA rules then apply, including the 10% early-withdrawal penalty before age 59½ (subject to standard IRA exceptions).
- Basis tracking matters: individual after-tax contributions come out tax-free; employer, government, and charitable contributions plus all earnings are taxed as ordinary income on withdrawal.

3. Employer Involvement — What Plan Sponsors Can (and Can't) Do

This is the section most relevant to your plan sponsor conversations. Trump Accounts sit outside the qualified retirement plan framework, but employers can voluntarily layer a contribution program on top of existing benefits infrastructure.

Trump Account Contribution Programs

- An employer may adopt a written Trump Account Contribution Program (TACP) under IRC Section 128(c) to make direct contributions (up to $2,500/employee/year, tax-free to the employee) and/or to permit employee salary-reduction contributions under a compliant structure, including Section 125 cafeteria-plan treatment for contributions to a dependent's Trump Account, subject to further Treasury/IRS guidance.
- TACPs must meet nondiscrimination, eligibility, and notice requirements similar to Section 129 dependent care assistance programs — meaning employers can't skew the benefit toward highly compensated employees without risking plan-level consequences.

- Section 125 cafeteria plans may be used to direct contributions to a dependent's Trump Account, but not to an employee's own account, per Treasury's position referenced in the June 2026 DOL release.
- Treasury and IRS have not yet finalized detailed TACP operating guidance (notice, testing mechanics, and Form W-2 Box 12 Code TA reporting are all still developing as of this writing).

ERISA Status — DOL Technical Release 2026-02 (June 17, 2026)

- DOL has taken the position that Trump Accounts and qualifying Section 128 employer contribution programs are not expected to be treated as ERISA-covered pension plans under current guidance, provided the arrangement is structured within the conditions described in Technical Release 2026-02 — conceptually similar to DOL's treatment of certain payroll-deduction IRA arrangements and HSAs, where employer involvement is limited and the employer does not endorse* the arrangement.
- Employers offering payroll-deduction (non-TACP) contributions stay outside ERISA if they satisfy the existing IRA payroll-deduction safe harbor (29 C.F.R. § 2510.3-2(d)) — critically, this means the employer cannot endorse the program beyond providing mechanical information and answering logistical questions.
- This is agency guidance, not a final rule, and is fact-dependent rather than a blanket statutory exemption. Advisors should frame TACP adoption as "low ERISA risk under current guidance" rather than "ERISA-exempt by law," and should not treat it as a substitute for benefits counsel review.

Why a Plan Sponsor Might Care

- Low-cost, low-liability way to extend a family-benefits or total-rewards story without adding plan complexity or fiduciary exposure to the existing 401(k).
- Some employers have announced one-time supplemental contributions for eligible employees' children, often framed as matching the $1,000 federal pilot contribution (Empower, Acorns, Bank of America, JPMorgan, BlackRock, and Schwab among early adopters). Confirm each employer's actual program terms before describing it to a client as a "match."
- Coordination burden is real: payroll, benefits, and recordkeeping teams all need to be looped in, and vendor readiness for Treasury contribution routing is still maturing industry wide.

*to "endorse" means to actively promote or recommend this type of account to employees

4. Positioning Against Other Savings Vehicles

Trump Accounts are additive, not a replacement, for existing planning tools. Use this table as a quick reference when a client or plan sponsor asks “where does this fit?”

Vehicle	Best For	Trump Account Comparison
529 Plan	Education-specific savings	529 remains the primary education vehicle — tax-free qualified withdrawals beat Trump Account’s taxable-on-withdrawal treatment for non-basis dollars. Use Trump Account for the free $1,000 (if eligible) and potential employer contribution; keep 529 as the core college fund.
Custodial Roth IRA	Children with earned income	Roth IRA offers tax-free growth and no forced restriction to a single index fund. Only available if the child has W-2 or self-employment income — most young children don’t qualify.
UGMA/UTMA	Flexible	UGMA/UTMA accounts have no investment restriction and no age-18 lock on use-of-funds, but lose tax-favored status and hand the child full control (and potentially the funds) at the age of majority.
Taxable Brokerage	Maximum parental control and flexibility	No tax shelter, but no restrictions either. Better for goals that don’t fit any of the specialized wrappers.
Trust	Estate planning, control, protection	Far more expensive and complex to establish; use when governance and multigenerational control are the actual objective, not just savings.

Advisor talking point

“If your child qualifies for the $1,000 federal pilot contribution, it’s worth capturing because it increases the starting balance without requiring a family contribution — but future account value still depends on contributions, market performance, fees, taxes, and withdrawal timing. Beyond that, the account you fund most heavily should match your actual goal: consider putting education dollars into a 529, flexible dollars into a UTMA or brokerage account, and retirement-style dollars into the Trump Account, or a custodial Roth if your child has earned income.”

5. Open Questions & Where Guidance Is Still Developing

- Section 128 employer contribution mechanics (notice content, nondiscrimination testing detail, cafeteria plan interaction) — Treasury guidance pending.
- Rollover mechanics from the initial Treasury-held account to a private custodian, including how mixed pre-tax/post-tax basis is tracked in transfer.
- Whether/how a Trump account with pre-tax employer dollars can later interact with workplace retirement plan rollovers (the industry has flagged this as unresolved — a Roth IRA cannot currently roll into a Roth account in an employer plan, and Trump Accounts raise an analogous question).
- Final Form W-2 reporting mechanics (proposed Code TA, Box 12) for employer contributions.
- Gift-tax reporting treatment for individual contributions should be monitored. The IRS has announced relief for many contributors whose taxable gifts to a beneficiary do not exceed the annual exclusion amount, but advisors should confirm current gift-tax guidance before advising gift contributions to a Trump account.

Given the pace of guidance since Notice 2025-68 (August 2025), expect continued updates throughout the rest of 2026. Treat any numeric details in client conversations as current-as-of-today, and confirm before major recommendations.

6. Key Dates Timeline

Date	Milestone
July 4, 2025	One Big Beautiful Bill Act signed; Section 530A enacted
August 2025	Treasury/IRS Notice 2025-68 — initial framework Q&A
Early 2026	BNY designated as Treasury's financial agent; Robinhood confirmed as brokerage and initial trustee
March 6, 2026	Proposed regulations on opening initial accounts (REG-117270-25)
June 17, 2026	DOL Technical Release 2026-02 — ERISA status clarified
July 4, 2026	Account establishment, and the $1,000 federal pilot contribution program officially opened

7. How to Use This With Clients and Plan Sponsors

- With individual clients: position as a supplemental, low-friction account — capture the $1,000 federal pilot contribution first (for eligible accounts), then decide on ongoing funding based on the family's actual savings goals (see Section 4).
- With plan sponsors: this is a benefits-strategy conversation, not a retirement-plan-design conversation. Bring it up alongside dependent care, HSA, and other voluntary benefits discussions — not in the 401(k) committee meeting.
- Flag the ERISA nuance explicitly: sponsors should not actively promote or recommend (endorse) a payroll-deduction-only program if they want to stay inside the safe harbor. A formal TACP is the cleaner path if they want to make employer contributions.
- Direct sponsors to benefits counsel and their payroll provider before adopting a TACP — this guide is educational, not a substitute for legal or tax advice specific to their plan.
- Do not describe Trump Accounts as a substitute for legal, tax, investment, estate-planning, education-funding, or retirement-plan advice. Coordinate with tax counsel, benefits counsel, payroll providers, and custodians before recommending implementation.

Sources: IRC Sections 530A and 128; IRS Notice 2025-68; IRS Form 4547 and Instructions; Treasury/IRS proposed regulations REG-117270-25; DOL Technical Release 2026-02; IRS Revenue Procedure 2026-25; Congressional Research Service R48910; and selected public guidance from Alight, DLA Piper, Fidelity, and other industry sources. This document is for internal advisor education and does not constitute tax, legal, or investment advice.