



One Big Beautiful Bill: Trump Accounts

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Agenda

- What is a Trump Account?
- How to open a Trump account?
- How to fund one?
- Employer contributions
- What can they be invested in?
- When can you get distributions?
- Gift/Estate tax considerations
- Comparison of different options
- Ways to save
- Roth Opportunities
- Questions that remain unanswered

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What is a Trump Account?

- Trump Accounts are a type of individual retirement account that are for eligible children under the age of 18. While similar to IRAs or 529 plans they have unique rules and investment restrictions.
- Requirements:
 - Child must be under 18 by the end of the year the account is opened
 - Child must have a valid SSN
- Growth Period is from opening the account until Dec 31st prior to the child turning 18
- After Growth period the account mostly follows the rules for traditional IRAs

How to Open One?

- Make an election on Form 4547. Can be included in 2025 tax return.
- Form 4547 can be prepared online through trumpaccounts.gov
- Online portal with the Department of Treasury through trumpaccounts.gov
- Accounts can be opened beginning July 4th 2026
- Realistically to make 2026 year contributions, need the account opened by mid December 2026

How to Fund One?

- \$1,000 pilot funding from the government for children born in 2025 to 2028 can be requested by parent (does not count towards the \$5k limit)
- Opening an account does not trigger the \$1,000 pilot contribution, it must be specifically requested in addition to opening the account
- \$5,000 annual contribution limit for 2026 and 2027 years, inflation adjusted after that
 - Contributions from parents, grandparents, beneficiary or other individuals
 - Employer contributions
 - Employee salary reduction agreements (where permitted, pretax contributions)
 - Charitable Organizations (Dell Foundation example)
- No contributions can be made before July 4th 2026.
- Unlike IRAs, may not be funded after calendar year end, so December 31st 2026 is the deadline for the first year funding (similar to 529 rules for timing of contributions)

Employer Contributions

- \$2,500 can be contributed by employers as part of a formal employee benefit plan complete with non discrimination testing
- Employer contributions would only go to people with qualifying children that have Trump accounts open, other employees would get \$0
- Employers able to offer a salary deferral program for employees who want to participate in making contributions with their own money, more guidance to come out on how this would be facilitated

What Can They Be Invested In?

- Low cost Index Fund tracking a broad based US stock index
 - Comparable examples: VOO, SPY, VTI
- No leveraged funds
- Annual fees capped at approximately .10%
- Cannot be invested in crypto currency, international stocks, individual stocks, bonds, money markets, stock options, private equity funds, REITs, municipal bonds, certificates of deposit, US Treasuries, annuities, commodities

When Can You Get Distributions?

- **Withdrawals are not permitted during the growth period**, very limited exceptions apply in case of death, over contributions, rollovers to another Trump account and Qualified ABLE rollover contributions made during the calendar year the beneficiary turns 17
- Hardship withdrawals are not permitted
- Once the beneficiary turns 18 the restrictions fall away and it operates similar to an IRA
- Distributions after age 18
 - Basis is returned tax free (tracking basis from the various sources is key)
 - Earnings are ordinary income + 10% penalty unless exception applies
 - Exceptions for higher education expenses and first time homebuyer
 - Exception for over age 59.5

Gift / Estate Tax Considerations

- Do you need to file a gift tax return for contributions to a Trump account?
- Are contributions to Trump accounts are present interest gift?
 - Our view is that generally yes they should be
 - Our view is that annual exclusion applies to these contributions
 - Our view is that we will not file a 709 unless contrary guidance is released
- 529 plan contributions are very similar and the annual exclusion applies to them, and no gift tax returns are filed for those.

Comparison of Accounts

	Trump Account	529 Plan	Roth IRA
Contribution Rules	\$1,000 free potentially from government. \$5,000 annual limit on contributions. No income limits.	\$19,000 annual contribution limit with annual exclusion. No income limits.	\$7,500 maximum, limited to earned income each year. Income limit of \$153k on being able to contribute.
Withdrawal Rules	No withdrawals until after age 18 After 18 follows traditional IRA rules for distributions	Can be used for k-12 education costs, college or post secondary education costs, can be used for professional accreditation costs	Roth Distributions are basis first and available at any time
Taxability	Basis is tax free. Earnings are ordinary income + 10% penalty unless exception applies (education, first time home buyer)	Basis is tax free. Earnings 100% tax free if used for education, otherwise ordinary income + 10% penalty	Contribution basis is tax free and comes out first. Earnings are ordinary income + 10% penalty unless exception applies if under age 59.5 (education + a few others). 100% tax free distributions after age 59.5
Other Considerations	Restrictive investment rules. Tracking of the contributions and basis is very important. Charitable organizations can make contributions to the accounts.	5 year funding option for \$95,000 at once. Can modify the beneficiaries tax free in the future if the funds are unused.	Must have W-2 or 1099 earned income in order to contribute each year. Potential for backdoor Roth contributions later in life.

Ways to Save

- Retirement accounts (401k employer matching)
- Retirement accounts (401k employee deferrals)
- Retirement accounts (IRA or Roth IRA outside of company plan)
- Health Savings Account contributions
- Taxable Brokerage Savings
- 529 Plan contributions
- UTMA accounts for children
- ABLE Accounts
- Trump Accounts
- Trust for benefit of the child – irrevocable generally, lots of variations possible

- Best comparison for a Trump account is an Irrevocable Trust where the beneficiary has full rights at 18. The money is locked up until they turn 18 in a Trump account in a way that's very different than the other options on the list

- Can you afford to give up 100% of the rights to the money until the child is 18?

ROTH Opportunities

- After growth period Trump accounts are eligible for Roth conversions
- Working minors are eligible for both ROTH contributions and Trump contributions
- Opportunity for substantially ROTH balances at end of growth period to set up for growth to retirement age

ROTH Opportunities

- Example with a child that is age 10 currently:
 - Age 10 to Age 17 \$5,000 contribution to Trump account per year
 - Age 18 the account is owned by the child
 - \$40,000 of contributions made over the 8 year period
 - FMV of account is \$58k at roughly 8% per year growth
- Convert to Roth when child is age 18. \$18k of income that's likely offset by the standard deduction.
- Now you have \$58k in a Roth IRA for the child who is 18 years old. Plus any Roth contributions they made based on earned income from working in high school.
- Same account reaches \$680k at age 50, \$1.5M at age 60, and \$3.2M at age 70

ROTH Opportunities

- Example with a child that is age 1 currently:
 - Age 1 to Age 17 \$5,000 contribution to Trump account per year
 - Free \$1,000 of funding from the government
 - Age 18 the account is owned by the child
 - \$85,000 of contributions made over the 17 year period
 - FMV of account is \$185k at roughly 8% per year growth
- Convert to Roth when child is age 18. \$100k of income is roughly \$14k of tax liability. So if you have \$14k of cash to pay that tax you're good to go.
- Now you have \$185k in a Roth IRA for the child who is 18 years old. Plus any Roth contributions they made based on earned income from working in high school.
- Same account reaches \$2.2M at age 50, \$4.7M at age 60, and \$10.1M at age 70

Questions Outstanding

- When will accounts be transferrable to your preferred brokerage account or able to be setup directly with your preferred brokerage?
- Will there be restrictions on qualified investments, or any fund that meets requirement is allowable?
- Cash is not an allowable investment so how will contributions be initially invested and then will dividends be automatically reinvested? At what point is having cash in the account breaking the rules?
- What are the consequences for breaking the investment rules?
- Confirmation on lack of requirement to file gift tax return for making contributions
- Will the next administration continue or modify these accounts in some way?
- Will we see other charitable organizations get involved in making contributions similar to the Dell foundation?



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