

New Trump Accounts: Overview and Opportunities

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What is a Trump Account?

A Trump Account is a new tax-advantaged savings vehicle established under the One Big Beautiful Bill Act (OBBA). Parents or legal guardians may elect to open an account for a child under age 18, allowing invested funds to grow on a tax-deferred basis.

Tax Form and Filing Requirements

To establish a Trump Account, a parent or guardian must complete Form 4547 to make the required election. This form may be filed with the taxpayer's current-year Form 1040 or submitted separately by mail to the IRS. The IRS has also indicated that an electronic election option may become available through trumpaccounts.gov beginning in mid-2026.

Contributions

The annual contribution limit for a Trump Account is \$5,000 per child. Unlike traditional or Roth IRAs, contributions do not require the child to have earned income, and eligibility is not limited by income thresholds. Contributions to a Trump Account also do not impact the child's ability to contribute to a traditional or Roth IRA if the child has earned income. Parents, grandparents and others can contribute to a child's Trump account. Children born in years 2025-2028 may qualify for a one-time \$1,000 pilot program contribution from the U.S. Treasury, provided all eligibility requirements are met.

Employers may also contribute to an employee's Trump Account—or to a Trump Account established for the employee's dependent—up to \$2,500 per year. These employer contributions are not taxable to the employee.

Please note that contributions cannot be made before July 4, 2026, and contributions to a Trump Account may be treated as taxable gifts for federal gift tax purposes.

Withdrawals

Withdrawals are generally prohibited during the Trump Account's "Growth Period." The Growth Period begins on the date the account is established and ends on December 31 of the year prior to the year in which the child turns 18.

After the Growth Period, the assets of the account can be withdrawn but are generally subject to the rules that apply to traditional IRAs, including early withdrawal penalties (for withdrawals before age 59 1/2, with some exceptions for qualified purposes) and income taxation on the earnings in the account.

Trump Account versus 529 Plans (Education Savings Plan)

Key differences between Trump Accounts and 529 Plans include:

- **Contribution Limits:** Trump Accounts have an annual contribution cap of \$5,000 per child. While 529 Plans do not have annual contribution limits, they are subject to lifetime aggregate limits that vary by state.
- **Investment Options:** Trump Accounts are restricted to a single fund tracking the U.S. stock market, whereas 529 Plans typically offer a broader range of investment choices.
- **Tax Deductions:** Contributions to Trump Accounts are not deductible for federal or state tax purposes. Some states, however, offer state tax deductions or credits for 529 Plan contributions.
- **Tax Treatment:** Trump Accounts follow traditional IRA tax rules, with earnings taxed upon withdrawal. Qualified withdrawals

from 529 Plans used for education expenses are generally tax-free.

- Flexibility: Trump Accounts generally restrict withdrawals until age 18 and then follow traditional IRA rules. In contrast, 529 Plans allow beneficiary changes and permit rollovers of up to \$35,000 into a Roth IRA for the beneficiary, subject to applicable rules.

As with any new tax-advantaged savings opportunity, it's important to evaluate how a Trump Account fits within your broader financial, education, and estate planning goals. If you would like to discuss whether this strategy makes sense for your family or employees, please contact our office to review your specific circumstances.

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