RAYMOND JAMES



Your guide to Trump Accounts

Please note that the information contained below comes from initial IRS guidance only and is subject to change.

WHAT ARE TRUMP ACCOUNTS?

Trump Accounts were first introduced via a provision in The One Big Beautiful Bill Act (OBBBA), signed into law on July 4, 2025. Trump Accounts can be funded beginning **July 4, 2026**.

Trump Accounts are a new type of tax-advantaged retirement account for children. The accounts can only be opened and contributed to on behalf of children prior to the year of their 18th birthday. They are meant to give children an early start on retirement savings, support families with newborns and promote financial literacy.

Trump Accounts can be viewed as a modified traditional IRA. However, traditional IRAs are often impractical for minor children because contributions require earned income – something most children don't have. Trump Accounts address this limitation by allowing contributions for minors without the earned income requirement.

Additionally, Trump Accounts allow contributions from multiple sources, including not only parents and relatives but also employers, charities and government organizations. Depending on the funding source, a contribution may be considered a pre-tax or an after-tax amount. All earnings are considered a pre-tax amount. Consequently, distributions could be comprised of both pre-tax and after-tax dollars.

TRUMP ACCOUNT BASICS – While Trump Accounts are comparable to traditional IRAs, there are many rules unique to Trump Accounts that set them apart, particularly when the account owner is still a minor.

Key takeaways:

Early-life savings advantage: Trump Accounts let anyone contribute for a child from birth up until the end of the year the child turns age 17.

Expanded funding opportunities: Account holders may receive more than the $5,000 annual limit since government and charitable contributions don’t count towards the total.

Rule shift at the beginning of the year the child turns age 18: When the Growth Period ends, the Trump Account will follow the rules of traditional IRAs. See explanation below.

ESTABLISHMENT – Only one Trump Account is permitted per child. In order to create the account, a formal election must be made using IRS Form 4547, or through an online application on the www.trumpaccounts.gov website. The Treasury Department has selected The Bank of New York (BNY) and Robinhood to serve as initial trustees for Trump Accounts. However, once these accounts have been established, the Trump Account may be moved to another financial institution via a trustee-to-trustee transfer, also called a Qualified Rollover Contribution (further discussed below).

Only an "authorized individual" may open a Trump Account, which includes the legal guardian, parent, adult sibling or grandparent of the minor child. The minor child is considered the owner of the account but is also referred to as the beneficiary of the account. An account may be opened at any time for a minor child up until the end of the year the child attains age 17.

GROWTH PERIOD – The period from account inception through the end of the year the child reaches age 17 is referred to as the "Growth Period". This distinction is important because Trump Accounts have a different set of rules than their IRA counterparts during this time.

One key feature of the Growth Period is there are several types of contributions allowed that have different tax features and contribution limits. Another unique attribute of Trump Accounts is that no distributions are allowed during this period except in limited circumstances. Furthermore, there are a limited number of permissible investments inside a Trump Account.

CONTRIBUTIONS – **Starting on July 4, 2026**, Trump Accounts may accept contributions on behalf of a child. Contributions may be made from the year of the child's birth through the year in which they turn 17.

Contributions must be made in cash and deposited by year end for that calendar year. The child doesn't need earned income and there are no income phaseouts for parents to contribute. Furthermore, contributions to a Trump Account do not impact the contribution limit for other traditional and Roth IRA contributions, provided the minor has earned income.

TYPES OF CONTRIBUTIONS

Federal Government Contributions

The government will contribute $1,000 to a child's Trump account if eligibility requirements are met. They include:

- The child must be born between 2025 and 2028.
- **An election must be made by the parents of the eligible child** on Form 4547 or through the website www.trumpaccounts.gov. The election to receive the contribution can be made at the same time as the election to open the account.
- The child must be a US Citizen and have a Social Security number.

The government contribution is considered a pre-tax amount and does not aggregate towards the annual contribution limit.

Family (& Other People) Contributions

Contributions can be made by any individual – the parents, family members, friends or even the child. These contributions are considered after-tax and create basis in the account. This means that when these contributions are eventually distributed, they won't be subject to tax or penalty.

The maximum that can be contributed into an account this year is $5,000 but will be indexed for inflation beginning in 2028. This $5,000 limit will aggregate with employer contributions, discussed below.

Employer Contributions

Up to $2,500 (indexed for inflation in 2028) may be contributed by an employer to a Trump Account of an employee or the dependent of an employee. The $2,500 annual limit is per employee, not per dependent. Therefore, if an employee has two or more children, only $2,500 in aggregate may be contributed. For example, an employee with two dependents could have their employer contribute up to $2,500 to either dependent's Trump Account, or $1,250 to each dependent's Trump Account, but not $2,500 to each.

Employer contributions are not included in the employee's income and are considered a pre-tax amount. They aggregate with family contributions towards the $5,000 annual limit. Therefore, if an employer contributes $2,500 to a child's Trump Account, the parents or other family members would only be able to contribute an additional $2,500 to reach the annual cap of $5,000.

Qualified General Contributions

These contributions are made by tax-exempt organizations, states or municipalities. They are considered a pre-tax amount and do not aggregate with the annual contribution limit of $5,000. There is no cap on the contribution amount, however contributions can be restricted to a "qualified class" of beneficiaries, and contributions must be made to all eligible beneficiaries within that class of beneficiaries. Members of a qualified class of beneficiaries might include children from low-income families or children from a particular community that a charity is trying to help.

The first example of a charitable qualified general contribution was the $6.25 billion commitment from the billionaire Dell family to fund contributions of **$250 each** into Trump Accounts for eligible children age 10 and under. The Dell family contribution is only available to children living in zip codes where the median household income is no more than $150,000.

Since qualified general contributions do not count towards the $5,000 annual contribution limit, a Trump Account beneficiary could theoretically receive more than $5,000 in contributions to their account each year, provided they are part of a qualified class receiving qualified general contributions from the federal, state or local governments or charity.

Qualified Rollover Contributions

Qualified Rollover Contributions are a tax-free transfer of funds from an existing Trump Account to a new Trump Account. The full balance of the existing Trump Account must be rolled over in a trustee-to-trustee transfer. These contributions do not count towards the $5,000 contribution limit and do not create taxable income for the beneficiary. Furthermore, the basis in the existing account will be carried over to the new account. The full balance of an account must be rolled over to prevent an individual from having more than one active Trump Account at a time.

INVESTMENTS – During the Growth Period, only eligible ETFs and mutual funds that track an index composed primarily of US stocks are allowed. To be considered a US index, at least 90% of the index must be US companies. These indexes cannot be sector- or industry-specific, but may be market-cap-weighted or market-cap-focused within a specific range. Furthermore, the ETFs or mutual funds cannot use strategies to outperform or perform differently than the index, and the expenses cannot be more than 0.10%. Debt instruments, leverage or derivatives are also not allowed. Finally, funds may not be invested in cash or money market funds except in limited circumstances (dividends, sales, contributions) and only for limited time.

DISTRIBUTIONS – No distributions are allowed until the year the child reaches age 18 – the end of the Growth Period.

The only exceptions to this rule are:

- A distribution of excess contributions if the annual limit has been exceeded.
- A distribution upon the death of the account beneficiary. In this case, the account will cease to be a Trump Account as of the date of death, and the fair market value (reduced by basis) shall be included in the gross income of a named beneficiary.

BASIS TRACKING REQUIREMENTS – The requirement to track after-tax contributions, or the basis in Trump Accounts, is the responsibility of the Trump Account custodian. This is a departure from existing requirements for tracking basis in traditional IRAs. Generally, the taxpayer is required to track the basis in traditional IRAs using IRS Form 8606.

It's still unclear at this time how Trump Account custodians will track the basis in Trump Accounts. However, **the basis in Trump Accounts will be tracked separately than the basis in traditional IRAs.** Tracking the basis of these accounts could get more complicated if at the end of the Growth Period, a Trump Account owner transfers the balance of a Trump Account with basis to a traditional IRA that has no existing basis. The responsibility of tracking would then likely shift from a Trump Account custodian to the IRA owner.

END OF THE GROWTH PERIOD – **Starting January 1 the year the beneficiary turns 18, the Trump Account continues to be a Trump Account but is subject to the rules that govern a traditional IRA.** For example, the same rules related to contributions, distributions, required minimum distributions and Roth conversions that apply to traditional IRAs will also apply to Trump Accounts. Furthermore, the taxation of these accounts will also follow traditional IRA rules. **Funds may be distributed for any purpose and at any time, though distributions before age 59 1/2 may be subject to tax and a 10% penalty, unless another exception is met.**

As previously mentioned, contributions such as family contributions are made with after-tax dollars which create basis in the Trump Account. Other contributions, such as employer contributions, are considered pre-tax. Any earnings are also considered pre-tax. Consequently, when any distribution is made from a Trump Account, it is comprised of a proportionate amount of after-tax and pre-tax dollars. Any after-tax dollars distributed are not subject to tax or penalty. Distributions of pre-tax dollars such as earnings or employer contributions are subject to ordinary tax and a 10% penalty if no exception is met.

DISTRIBUTION EXAMPLE: DETERMINGING THE TAXABLE PORTION

- Jim has a Trump Account with a total account value of $10,000.
- During his childhood, Jim's parents contributed a total of $4,000 into the account. Jim was also eligible to receive a government contribution of $1,000.The remaining $5,000 are earnings from the amounts contributed.
- The $4,000 his parents contributed represents Jim's basis in the Trump Account and is not subject to tax or penalty when distributed.
- The remaining $6,000 of government contributions and earnings are considered pre-tax amounts and are subject to ordinary tax and a 10% penalty, if no exception is met.
- Assume Jim takes a $1,000 distribution from the Trump Account.
- According to the IRS pro rata rule, the non-taxable portion of the distribution equals the proportion of after-tax dollars in the Trump Account to the total account balance.
- The math to calculate the non-taxable percentage therefore is $4,000 ÷ $10,000 = 40%.
- Therefore, 40% × $1,000 = $400 of the distribution will be non-taxable.
- The remaining $1,000 −$400 = $600 of the distribution will be taxed as ordinary income. If Jim does not meet a 10% penalty exception, the $600 will also be subject to 10% penalty.

CONTRIBUTIONS AFTER THE GROWTH PERIOD ENDS – When the Growth Period ends, the Trump Account will follow the rules of traditional IRAs. This means that the year the child reaches 18, no more contributions are permitted unless the child has earned income to support the contribution, is under the annual income thresholds and must follow the contribution limit for that year. The various types of contributions previously allowed for Trump Accounts are no longer permitted.

COORDINATION WITH IRAS – As previously noted, after the growth period (starting January 1 the year the individual turns age 18), the special rules for Trump Accounts cease to apply, and the accounts generally will be subject to traditional IRA rules. Of note:

- Even though the account will begin to follow traditional IRA rules beginning in the year the child turns 18, a Trump Account technically continues to be a "Trump Account" even after the Growth Period ends.
- However, Trump Accounts can be rolled over to a standard IRA starting in the year the beneficiary turns 18.
- Trump Accounts would be subject to required minimum distributions (RMDs) if the account is maintained until later in life. RMDs for Trump Accounts would begin at age 75.
- Roth conversions are allowed **after the Growth Period ends**. A Roth conversion at age 18 could allow for decades of tax-free growth after the conversion is complete.
- Note that Trump Accounts can **never receive SEP IRA or SIMPLE IRA** contributions.
- Similarly, a Trump Account can never be aggregated with other IRAs when allocating basis with either an individual's Trump Account or other traditional IRAs.
- If a Trump Account beneficiary **age 17 or younger** has earned income of their own, they can contribute to both a Trump Account and a traditional IRA or Roth IRA. Contributions to one type of account do not affect the amount that can be contributed to the other – these accounts don't aggregate for purposes of contribution limits. This means that in 2026, a beneficiary with at least $7,500 in earned income can contribute $5,000 to a Trump Account and $7,500 to a traditional IRA or Roth IRA.

SAVING FOR YOUR CHILD'S FUTURE – Trump Accounts will join UTMA accounts and 529 plans as another savings vehicle for children, giving parents an additional option when planning for their child's financial future. If parents have limited funds with which to contribute, they will have to decide what type of account or combination of accounts best fits their goals.

If a child is eligible to receive a government, employer or charitable contribution, establishing a Trump Account can be attractive. The account can be opened even if the parents have no plans to make future contributions. This investment has the potential to benefit from a long time horizon, allowing it to compound over many years and ultimately be used for retirement or other income needs.

If parents whose primary objective is education savings, a 529 plan may be the most appropriate, especially if their state offers tax incentives for contributions. Distributions from 529 plans will be tax-free when used for qualified education expenses. Furthermore, unused funds of up to $35,000 may be transferred to a Roth IRA when the child has no further education expenses.

Parents seeking greater flexibility in the types investments and how much can be contributed may instead consider using an UTMA account.

Parents should also remember that when a child reaches age of majority, their children will have access to the balances of both Trump Accounts and UTMA accounts.



Looking Ahead

Planning for the future is essential for achieving your family's financial aspirations.
Contact your advisor to learn more about Trump Accounts.

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Unless certain criteria are met, Roth IRA owners must be 59½ or older and have held the IRA for five years before tax-free withdrawals are permitted. Additionally, each converted amount may be subject to its own five-year holding period. Converting a traditional IRA into a Roth IRA has tax implications. Investors should consult a tax advisor before deciding to do a conversion.

ETF shareholders should be aware that the general level of stock or bond prices may decline, thus affecting the value of an exchange-traded fund. Although exchange-traded funds are designed to provide investment results that generally correspond to the price and yield performance of their respective underlying indexes, the funds may not be able to exactly replicate the performance of the indexes because of fund expenses and other factors.

This information is based on the IRS guidance published on December 2, 2025 and is subject to change. Once the final regulations have been published by the IRS, this piece will be updated to reflect the industry regulations.
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