

530A Trump Accounts

Amid the July 4th fanfare, a new tax-advantaged investment account officially launched: the 530A account, also known as a Trump Account, which is designed to help children get a head start on their financial future.

Parents (or other authorized representatives) have been able to apply since December 2025. By mid-June, more than six million accounts had been registered, representing a small fraction of the more than 73 million qualified children.¹ To be qualified, a child must be a U.S. citizen under age 18 and have a valid Social Security number.

Why 530A accounts matter

The accounts may capitalize on a child's biggest investment advantage: time. In fact, one report stated that 530A accounts could help children become millionaires by retirement, depending on future contributions and returns.² Note that all investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

The accounts can also be useful teaching tools. A new app lets users view balances, track investment performance, and make contributions from a phone or tablet. It also includes financial education modules on ideas like compound growth and diversification.³

For eligible children born between January 1, 2025, and December 31, 2028, the federal government will provide a one-time, \$1,000 pilot-program contribution. Of the six million children registered as of mid-June, 1.4 million met the criteria for the grant, representing just 39% of the nation's eligible children.⁴ According to President Trump, 500,000 accounts had received the grants as of July 6.⁵

One possible barrier — especially for lower-income households — may be that families need to actively sign up. However, in June, Treasury reported that 86% of new accounts were tied to families earning less than \$200,000 a year.⁶

How contributions work

Virtually any individual can contribute to a child's account, many without having to file a gift tax return. In some situations, employers, government entities, charities, and other organizations can contribute. Total annual contributions are capped at \$5,000, adjusted for inflation. Employers can contribute up to \$2,500 annually per employee's child, which counts against the cap. By contrast, contributions from state, local, and tribal governments and qualifying nonprofits do not reduce the limit.

To date, more than 50 companies have committed to participating.⁷

Investment and tax rules

During the growth period, until December 31 before the child turns 18, withdrawals are generally not allowed. The money must be invested in certain low-cost U.S. stock index funds or exchange-traded funds (ETFs) with fees of no more than 0.10% a year. In early July, Treasury announced that the default investment is an ETF that tracks the S&P 500. The Department has also approved several additional investments, which are

expected to become available later in 2026.⁸

Once a child turns 18, the account is treated as a traditional IRA under federal rules. That means the young adult must have earned income to continue contributing, and withdrawals before age 59½ will generally be subject to ordinary income taxes plus a 10% penalty, unless an exception applies. Some exceptions may be withdrawals for certain college expenses or up to \$10,000 toward the purchase of a first home.

A word of caution about taxes: Unlike traditional tax-deductible 401(k)s and IRAs and tax-free Roth accounts, 530A accounts are subject to double taxation, i.e., the contributions are taxed before they are invested and once again upon withdrawal. (Brokerage accounts are also double-taxed, but gains may be subject to lower capital-gains rates.) In addition, distributed amounts may be subject to the kiddie tax, which applies income tax at the parents' rate, rather than the child's.

Uncertainties and other cautions

Despite the potential benefits, some issues remain unresolved:

- At a House hearing in late June, lawmakers debated the companies providing account administrative services and whether investment choices should expand beyond passive U.S. stock index funds. Some officials said they expect the restrictions to loosen over time.⁹
- Questions remain about how 530A accounts will be treated in college financial aid formulas and whether pre-18 contributions can be converted to Roth IRAs once the child turns 18.¹⁰
- There is a specific hierarchy governing who can open a 530A account: First, a legal guardian; then, a parent; then, an adult sibling; and finally, a grandparent. A lower group becomes eligible if a member of the higher group is "unavailable," yet the term is currently undefined.¹¹

What's a parent to do?

While 530A accounts may help lower- and middle-income families give children a financial head start and help wealthier families receive an additional tax boost, they may not be superior to 529 plans, custodial accounts, or Roth IRAs. Parents should compare the pros and cons of all options before making decisions.

To open a 530A account, visit trumpaccounts.gov or complete IRS Form 4547.

The performance of an unmanaged index is not indicative of the performance of any specific security. Individuals cannot invest directly in any index. Past performance is no guarantee of future results. Actual results will vary.

The return and principal value of funds fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost.

Supply and demand for ETF shares may cause them to trade at a premium or a discount relative to the value of the underlying shares. ETFs typically have lower expense ratios than mutual funds, but you may pay a brokerage commission whenever you buy or sell ETFs, so your overall costs could be higher, especially if you trade frequently.

Funds are sold by prospectus. Consider the investment objectives, risks, charges, and expenses of funds carefully before investing. The applicable prospectuses, which contain this and other information about the

investment options, underlying investments, and the investment company, can be obtained from your financial professional.

- 1, 4, 6) InvestmentNews, June 23, 2026
- 2, 11) Slott Report, July 8, 2026 and April 29, 2026
- 3, 7) U.S. Department of the Treasury, July 4, 2026
- 5) The Wall Street Journal, July 8, 2026
- 8) PLANSPONSOR, July 8, 2026
- 9) PLANSPONSOR, June 26, 2026
- 10) InvestmentNews, July 1, 2026

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