

# IRS issues rules on Trump Accounts for NJ kids. How do they work?

*3-minute read*



**Daniel Munoz**

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The Internal Revenue Service and U.S. Treasury have unveiled [proposed rules](#) for the Trump Accounts that were part of President Donald Trump's landmark federal tax bill signed on July 4, 2025.

The rules explain how the accounts can be opened, and how the one-time \$1,000 deposit into the federal pilot program will work.

Withdrawal typically won't be allowed until the child turns 18, after which the contributions to the account will be taxed.

It's an IRA-style account specifically designed for children that would be available to them once they reach adulthood.

"It's another tool in the toolbox that parents can consider for their kids," said Chris Fundora, who heads retirement planning for Traphagen, an Oradell-based financial planning firm.

***Story continues below photo gallery.***



Eligibility for the account and the \$1,000 is limited to children born after Dec. 31, 2024, and before Jan. 1, 2029, who are U.S. citizens and have a Social Security number. The program makes \$1,000 of seed money available for newborns and every young child.

American children born before 2025 who are under 18 will also be [eligible for Trump Accounts](#), with all the same features, but with no \$1,000 seed money from the federal government.

## **Filling out Form 4547 to create a Trump Account**

A designated caregiver, typically a parent or guardian, will be the one who elects their child's participation in the program, which can be done by filling out what's known as Form 4547 online

at [form.trumpaccounts.gov](https://form.trumpaccounts.gov). The form will ask for dates of birth, Social Security numbers and contact information.

The numbers "4547" are a reference to Trump's terms as the 45th and 47th U.S. president.



You can also file Form 4547 with your tax return, [according to Vanguard](#), and “you may want to consider filing Form 4547 with your 2025 tax return so your account is available for use in July 2026.”

"There's a misunderstanding that it automatically gets deposited," said Traphagen's Fundora.

Treasury Secretary Scott Bessent said in comments published Jan. 28 that a single \$1,000 deposit into a Trump Account at birth should [grow to an estimated \\$500,000](#) by the age of retirement.

## **Can contribute up to \$5,000 a year per child**

The program goes live on July 5, 2026. Until then, you can visit the [Trump Accounts website](#) to add your name to the email list to get an update when the service goes live, but contributions cannot be made before then.

Individuals and employers can contribute up to \$5,000 per child per year, while other government entities and charitable organizations can contribute additional money.

[According to Fidelity](#), the account will be administered by an adult until the child turns 18.

“Parents who want to participate need to make an election and may be in a situation to do so during the tax year in which the child is born,” the IRS says. Elections for pilot program contributions may be made as soon as the child meets all eligibility requirements.

## **What are the benefits?**

Vanguard said the accounts “provide an opportunity for children and their families to gain real-world experience with saving and investing. Working teens can get a head start on their financial future by having both a Trump Account and an IRA.”

## **How can the funds be invested?**

Trump Accounts come with unusual restrictions. You can invest the funds only in low-cost index funds: either mutual funds or ETFs that track an index of “primarily” American stocks. At least 90% of the

funds must be invested in U.S. firms, according to [IRS guidance](#). The fund may not charge an expense ratio higher than 0.1%. Expense ratios are essentially administrative fees.

## **Drawbacks of the program**

Critics say the program unfairly favors higher-income children and families.

“A child whose family maxes out contributions could hold a six-figure account by adulthood; one whose family cannot add beyond the initial \$1,000 dollar deposit may end up with only a few thousand dollars,” the Joint Center for Political and Economic Studies in Washington argued [in a recent op-ed](#).

*This article contains material from USA Today.*

*Daniel Munoz covers business, consumer affairs, labor and the economy for NorthJersey.com and The Record.*

*Email: [munozd@northjersey.com](mailto:munozd@northjersey.com); Twitter: [@danielmunoz100](https://twitter.com/danielmunoz100), [Facebook](#) and [Instagram](#)*