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Trump Accounts

You may have heard in the news about a new federal savings option called a “Trump account.” These accounts were created as part of One Big Beautiful Bill Act (OBBBA) that was signed into law on July 4, 2025. The Trump account is designed for children and is structured as a special type of traditional IRA, with unique rules that apply before age 18.

For families, the main appeal is straightforward: this is a long-term savings account that may allow children to start building assets early, including the possibility of a one-time \$1,000 federal contribution for some eligible children.

Who can have a Trump account? In general, a child must have a Social Security number, and an authorized adult must open the account before the end of the year the child turns 17. While the rules are already in place, contributions cannot begin until July 4, 2026.

Before age 18, annual contributions are generally capped at \$5,000, with inflation adjustments beginning after 2027. Unlike a regular IRA, earned income is not required for these early contributions. That feature may make Trump accounts especially attractive for parents, grandparents, and others looking for a tax-favored way to save for a child’s future.

Some families may also benefit from a one-time \$1,000 federal pilot contribution. However, that benefit is available only for certain children born during a limited eligibility window, so not every child who can have a Trump account will qualify for the federal deposit.

Another notable feature is that employers may be able to contribute to a Trump account for an employee’s child under a separate employer program. This could make Trump accounts an appealing addition to family-focused employee benefit plans.

The accounts do come with important limitations. Before age 18, investments are limited to certain low-cost index mutual funds or ETFs, and withdrawals generally are not permitted. In other words, these accounts are intended for long-term savings, not short-term spending.

Once the child reaches age 18, the account generally transitions into ordinary traditional IRA treatment. At that point, future withdrawals may be taxable and could be subject to early-distribution penalties if taken too soon.

As such, Trump accounts may be worth watching for families who want to start building long-term savings for children. They combine a familiar IRA framework with child-specific rules, potential government support, and a strong emphasis on long-term investing.

A parent generally would set up a Trump account by making an election to open the child's initial Trump account on IRS "Form 4547" or, once available, through the IRS online application or webpage.

This alert covers only some of the facets of setting up Trump accounts and the tax rules related to these accounts. Please contact us if you have questions, want more information, or would like us to help you with setting up a Trump account for your minor children, so that by working together we can deliver the best tax results for you.

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