Key Wealth

Planning Strategy Series

Trump Accounts: A Strategic Foundation for Early Life Savings

Key Wealth Institute

Trump Accounts: A Strategic Foundation for Early Life Savings

Trump Accounts (IRC §530A) are a newly created, tax-advantaged savings framework designed specifically for children under age 18, established under the One Big Beautiful Bill Act of 2025. The strategy exists to help families begin long-term retirement savings at birth, even when a child has no earned income, by providing a structured, phased system that transitions into a traditional IRA at adulthood.

Trump Accounts encourage disciplined, early-life compounding by limiting investment choices, restricting early withdrawals, and allowing contributions from parents, other family members, unrelated individuals, employers, nonprofits, and even government seed programs. The design promotes early savings for retirement with a protected, rule-based structure that prevents premature depletion of the account and ensures funds serve their intended long-term purpose.

Why this matters

For families, Trump Accounts present a compelling new planning vehicle, offering a way to lock in early tax-deferred compounding years before a child can participate in traditional or Roth IRAs. It allows families to leverage employer and government contributions — all with no required out-of-pocket funding. Even the modest seed plus matching contributions can create meaningful long-term value, especially over an 18-year time horizon (or longer).

For families who are able to save more, this adds one more tool to help with tax-diversification across generations and helps structure early-stage wealth building for heirs. It is a simple, low-maintenance approach to create meaningful financial options for children later in life.

The strategy — What it is

A Trump Account has a two-phase savings structure for children.

Phase One

The Growth Period
(Birth through age 17)

During this period, Trump Accounts:

- Operate under a special rule set that replaces most traditional IRA provisions.
- Allow multiple contribution categories, including government seed deposits and section 128 employer contributions.
- Limit investments to low-cost, highly diversified index-tracking mutual funds and ETFs that meet strict fee and transparency criteria.
- Prohibit nearly all distributions to preserve long-term savings.
- Require unique reporting under section 530A(i) and permit only one funded account at a time.

Phase Two

Post-Growth Period
(Beginning January 1 of the year the beneficiary turns 18)

At this point:

- Most traditional IRA rules begin to apply, though the IRA remains designated as a Trump Account.
- The account remains a distinct subtype — important for tracking basis and Required Minimum Distribution (RMD) rules.
- SEP and SIMPLE contributions cannot be made to the account.
- Trustees may automatically transfer the account to a non-Trump traditional IRA.

Why consider this strategy?

Families and advisors may find Trump Accounts appealing for several reasons:

1. Early compounding advantage

Starting at birth provides potentially 18 extra years of tax-advantaged growth compared to traditional retirement accounts.

2. Ability to contribute without earned income

Unlike traditional IRAs, contributions are allowed even if the child has no earned income.

3. Government or employer funding opportunities

The flexibility to accept contributions from multiple sources — including family members, employers, and philanthropic donors — broadens access and maximizes the account's value over time.

- **Government pilot program**
  $1,000 seed for eligible children (U.S. citizen born in years 2025 – 2028)[1]
- **Growth period employer contributions**
  Employers may contribute up to $2,500 per year via Section 128 employer contributions. Since its introduction, major employers (e.g., large banks, technology firms, consumer-facing brands) have publicly pledged to match contributions to deposits into Trump Accounts for eligible children of their employees.
- **Philanthropic individual donors**
  Philanthropic donors, including billionaires, hedge-fund founders, and public figures have indicated their support of Trump Accounts by pledging significant direct funding to Trump Accounts, often targeting specific communities or income groups.

4. Restricted access preserves intent

Strict withdrawal prohibitions ensure the account remains dedicated to long-term financial security.

5. Strategic coordination with other planning tools

Trump Accounts can be integrated with ABLE accounts, Roth conversions, and broader family planning strategies.

Trump Accounts can be funded beginning on July 4, 2026.

Who could benefit and when?

Trump Accounts are ideal for:

- Families with newborns or young children seeking early financial foundations
- Households that want structured, tax-favored, multi-source contribution savings vehicles
- Employees of participating companies where employer funding is available

When it makes sense

- At birth, to maximize growth period benefits
- When parents or grandparents want to fund long-term legacy planning
- When employers offer matching dollars for employees' children

Example Funding Scenario

A family welcomes a child in 2026.
The child receives:

- $1,000 government pilot contribution at birth.
- Annual $2,500 contributions from parents (if desired), plus potential nonprofit contributions
- An additional $2,500 employer match

In years 2027 through December 31, 2043, (the calendar year the child turns 17), an annual contribution of $5,000 is made each year assuming the contribution limit remains flat. (Projected to index for inflation after year 2027)

Assuming simple annual compounding projections:

- 4% growth rate of return[2]: at the end of the year 2043, the account could have a value of $130,174.96
- 7% growth rate of return[2]: at the end of the year 2043, the account could have a value of $173,153.98
- 10% growth rate of return[2]: at the end of the year 2043, the account could have a value of $233,050.34

Key considerations

Investment restrictions

Only specific U.S. equity market index-tracking funds with low fees (≤ 0.1%) are eligible. The fund cannot use leverage. Trustees must continuously monitor fund eligibility.

The investment objective for Trump accounts is long-term growth. Cash and money market funds are not permitted investments during Phase 1 — the growth period. The only exception is when cash is held temporarily for the time reasonably necessary to complete a transaction. The trustee must invest such amounts in an eligible investment within a reasonable period.

One account rule

Only one funded account may exist at a time; transfers must be trustee-to-trustee.

Strict prohibition on distributions during the growth phase

There are no hardship withdrawals; there are only narrow exceptions such as qualified rollovers or death, since the account is intended for long-term growth.

Eligibility and establishment requirements

- Child must be under age 18.
- Must have a Social Security number issued before election.
- No prior election made for the child.
- There is strict priority on who will be able to set up or open an account: guardian → parent → adult sibling → grandparent; if none act, the Treasury Secretary may step in.

Tax treatment varies by contribution type

Five contribution categories exist, each with distinct tax and basis rules. Some create basis; others do not. Contribution types include:

- Pilot program contributions
- Qualified general contributions
- Section 128 employer contributions
- Qualified rollover contributions
- Contributions from other individuals

Common pitfalls

The concept of Trump Accounts was introduced only a few months ago with an indication that more guidance from the Treasury would be forthcoming. We saw initial guidance issued in December 2025. As we await more guidance, some common pitfalls exist.

Missing the proper election process

Only authorized individuals may elect to open the initial account, and in a precise order. Errors can delay or nullify the account opening.

Using ineligible investments

Holding non-qualified funds can require corrective action and may risk penalties.

Attempting early withdrawals

Hardship or education withdrawals are not permitted, unlike 529 or typical IRA rules.

Incorrect contribution assumptions

Some contributions are considered basis; others (like employer or pilot contributions) are not. Confusion here complicates future tax reporting.

Taxable gifts

Contributions to Trump Accounts may not qualify for the annual gift tax exclusion. While Congress may adjust this in the future, clients may need to file a gift tax return for their contributions.

Next steps

Trump Accounts present a unique opportunity to invest in a child's financial future from day one, with a built-in framework that promotes discipline, long-term growth, and integrated strategic planning.

Here are recommended next steps to set up a Trump Account:

- Confirm eligibility and gather required documentation for establishing the account.
- Explore employer or nonprofit contribution opportunities, particularly if your company participates in matching programs.
- Determine annual funding strategy, taking into account the five allowable contribution categories.
- Have discussions with your advisors on how Trump Accounts fit into a broader legacy, tax, and education planning framework.

Final thought

As families navigate the evolving landscape of savings options for their children, understanding the implications and advantages of various programs becomes essential. The Trump Account proposal, alongside alternatives like 529 plans and UTMA/UGMA accounts, presents a complex array of choices — each with distinct rules, benefits, and a whole host of other factors to consider. Before making a decision on whether to fund a Trump Account, it's important to evaluate how these options align with financial goals and family circumstances.

How do I open a Trump Account?

Elections to establish a new Trump Account are made through a Treasury Department/IRS-designated process.

How it works:

1. Sign in or create an IRS account here: https://form.trumpaccounts.gov/.
2. Complete and submit Form 4547 to elect your child.
   (**Note**: You can also file Form 4547 with your current-year e-filed tax return.)
3. Check the status of your submitted election form(s) or look for an email confirming that your election to open your child's Trump Account was processed and prompting you to complete account activation.
   (Note that the initial activation emails will come only from no-reply@TrumpAccounts.Treasury.gov.)
4. Follow the instructions in the email to activate the account through the Trump Accounts mobile app or by visiting TrumpAccounts.gov.

▶ **Note:** KeyBank is not a financial agent for Trump Accounts, and does not originate, facilitate, or service Trump Accounts. BNY is the designated financial agent for this program. At this time, it is unknown whether other financial services companies will be able to join the Trump Accounts program. There is no cost to open an account.

This article is part of the Planning Strategy Series, a foundational series exploring topics of particular significance to sophisticated investors and professional advisors. The Planning Strategy Series is produced by the Key Wealth Institute, a team of highly experienced professionals representing multiple disciplines within wealth management who are dedicated to delivering expert analysis, strategic advice, and timely insights to help you understand the forces impacting your wealth so that you can better navigate your financial journey.

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1 The $1,000 government seed money pilot program is not guaranteed to continue. Eligibility for the federal pilot program contribution must be met. Eligibility requirements include 1) must be a U.S. citizen born after Jan 1, 2025, and through Dec. 31, 2028, 2) must have a valid Social Security Number (SSN) and 3) must be someone for whom no prior pilot program election has been made by any individual.

2 Growth is not guaranteed and could lose principal.

Past performance and market returns do not guarantee future results.