Key Wealth

Planning Strategy Series

Trump Accounts: A New Tool for Building Optionality for Children

Key Wealth Institute

Executive summary

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. Rather than going into the details of the two-phased savings structure and the rules surrounding their design, this white paper seeks to provide insights, thoughtful consideration, and practical advice regarding their proposed efficacy and compares them to other savings options for children.

The U.S Treasury sets up and administers Trump Accounts.

A pilot program which would provide a one-time $1,000 government seed contribution is planned for American children with social security numbers, born between January 1, 2025, and December 31, 2028 when a tax election is filed on the child's behalf.

Trump Accounts are opened by a parent or legal guardian by an election process through the IRS either by filing Form 4547 or using the online tool at trumpaccounts.gov.

Key features of Trump Accounts

Eligibility and establishment

Child must be under age 18 and must meet establishment requirements.

Multiple contribution mechanisms

Trump Accounts accommodate contributions from family members, non-family members, employers, government, and nonprofits.

Two-phase savings structure

There is a Growth Period (birth to age 17), when the account operates under a special set of rules that replace most traditional IRA provisions, and a Post-Growth Period (age 18 and beyond), when most traditional IRA rules begin to apply.

Limited investments

Investments are limited to low-cost, highly diversified U.S. equity index-tracking mutual funds and ETFs that meet strict fee and transparency criteria.

Tax-efficient capital appreciation

Growth within the account may benefit from tax-advantaged treatment, thereby maximizing value accumulation for beneficiaries.

Tax treatment

Varies by contribution type. Five contribution categories exist, each with distinct tax and basis rules.

Strategic distribution protocols

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

Trump Accounts as a retirement savings tool

The concept of Trump Accounts has been impacting the retirement debate. Proponents describe the account as a way to expand long-term savings and encourage early wealth building for youth. It is also a way to get children involved in early U.S. equity investing. Trump Accounts were intentionally structured to keep costs low, simplify oversight, and maximize long-term growth for young investors.

How much could a Trump Account balance grow?

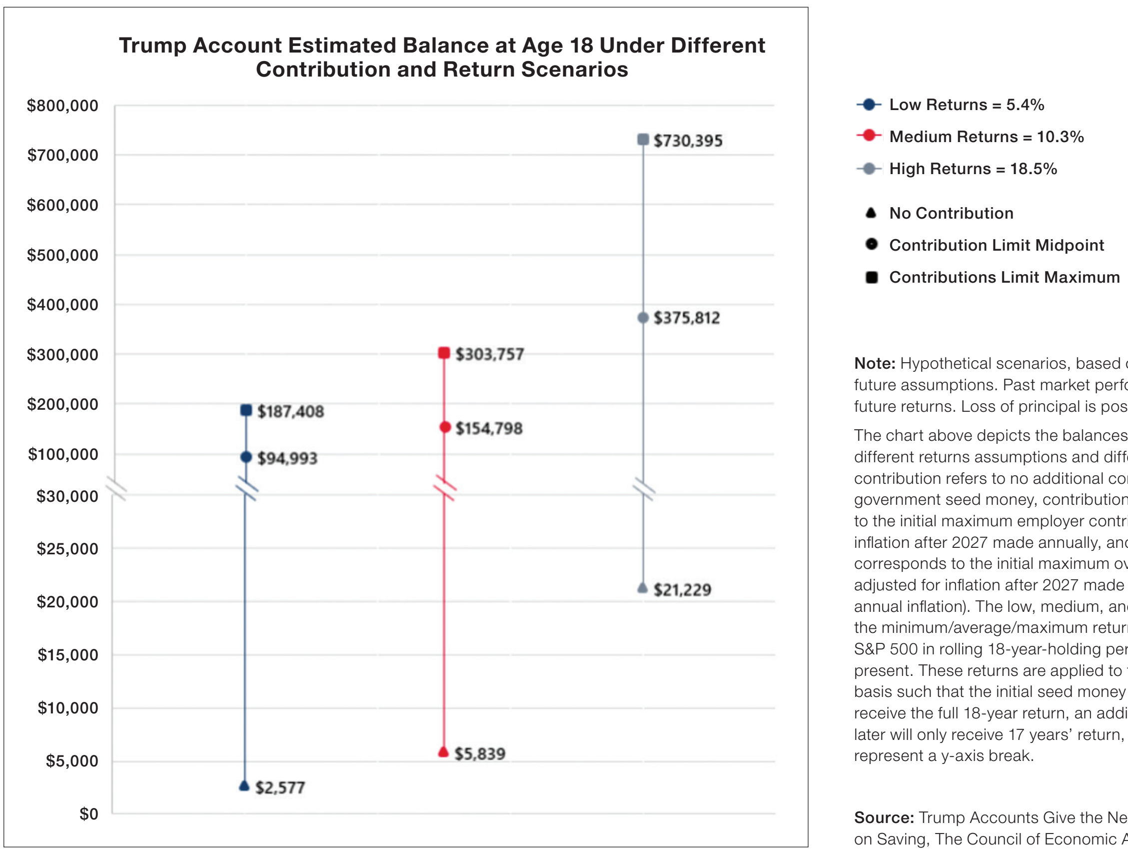
A report by the Council of Economic Advisors from August 2025 estimates, under a scenario of average returns on the U.S. stock market, the Trump Account balance for a child born in 2026 could be:

- $303,800 by age 18 and $1,091,900 by age 28 if maximum contributions are made.
- $5,800 by age 18 and $18,100 by age 28 if no contributions are made.

The report goes further to estimate the balance of a Trump Account at age 18 and at 28 years by computing the minimum, average, and maximum nominal returns on the total return S&P 500 over all rolling 18-year and 28-year holding periods ending from 1975 through the present. The contribution limits between age 18 and 28 use the IRA contribution limits. The projection looks at three contribution scenarios (annual maximum contribution, half of the annual maximum contribution, and no contribution beyond the initial $1,000 seed) with three alternative assumptions for future returns — low, medium, and high.

Under the medium-returns scenario, this yielded a balance of $303,800 by age 18 and $1,091,900 by age 28 under the maximum annual contribution scenario. If the annual deposit is instead half of the maximum amount, the balance could be $154,800 by age 18 and $555,000 by age 28. Finally, if no annual contributions are made, the account balance could still be $5,800 by age 18 and $18,100 by age 28.

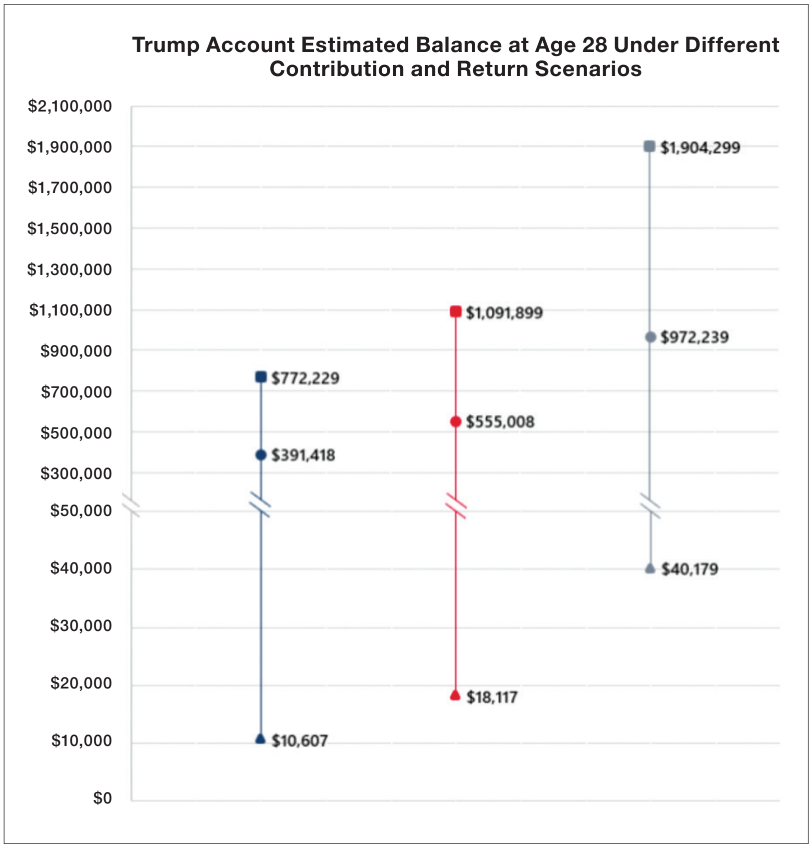
Even under the low-returns scenario, the account balance could be $187,400 by age 18 and $772,200 by age 28 under the maximum annual contribution scenario. Under the high-returns scenario, these numbers jump very significantly to $730,400 by age 18 and $1,904,300 by age 28.



Note: Hypothetical scenarios, based on historical returns and future assumptions. Past market performance is not indicative of future returns. Loss of principal is possible.

The chart above depicts the balances at age 18 based on different returns assumptions and different initial contributions. No contribution refers to no additional contribution beyond the initial government seed money, contribution limit midpoint corresponds to the initial maximum employer contribution ($2.500) adjusted for inflation after 2027 made annually, and contribution limit maximum corresponds to the initial maximum overall contribution ($5,000) adjusted for inflation after 2027 made annually (assuming 2% annual inflation). The low, medium, and high return scenarios apply the minimum/average/maximum returns estimates of the total return S&P 500 in rolling 18-year-holding periods from 1975 through the present. These returns are applied to the account on an annualized basis such that the initial seed money from the government will receive the full 18-year return, an additional deposit made one year later will only receive 17 years' return, and so on. Diagonal lines represent a y-axis break.

Source: Trump Accounts Give the Next Generation a Jump Start on Saving, The Council of Economic Advisors, August 2025



Low Returns = 8.8%
Medium Returns = 10.9%
High Returns = 14.1%

No Contribution
Contribution Limit Midpoint
Contributions Limit Maximum

Note: Hypothetical scenarios, based on historical returns and future assumptions. Past market performance is not indicative of future returns. Loss of principal is possible.

The chart above depicts the balances at age 28 based on different returns assumptions and different initial contributions. No contribution refers to no additional contribution beyond the initial government seed money, contribution limit midpoint corresponds to the initial maximum employer contribution ($2.500) adjusted for inflation for 2028–2044 made annually, and contribution limit maximum corresponds to the initial maximum overall contribution ($5,000) adjusted for inflation 2028–2044 made annually (assuming 2% annual inflation). We assume contributions under above limits until age 18 (2026–2044) and contributions under IRA limit adjusted for inflation after age 18 (years 2045–2054). The low, medium, and high return scenarios apply the minimum/average/maximum returns estimates of the total return S&P 500 in rolling 28-year-holding periods from 1975 through the present. These returns are applied to the account on an annualized basis such that the initial seed money from the government will receive the full 28-year return, an additional deposit made one year later will only receive 27 years' return, and so on. Diagonal lines represent a y-axis break.

Source: Trump Accounts Give the Next Generation a Jump Start on Saving, The Council of Economic Advisors, August 2025

According to a March report from the Milken Institute, with only the $1,000 seed money and investing in a broad equity index fund, Monte Carlo simulations show the account could grow to an average of $8,000 after 20 years, $69,000 after 40 years, and $574,000 after 60 years.[1,2]

Who could benefit most?

The short answer: children whose families (or employers/charities connected to them) can add meaningful ongoing contributions are most likely to benefit. Based upon how the program is structured, this is how we see who benefits most.

Good

Parents with children born 2025 – 2028 who receive the $1,000 federal seed deposit.

Better

Financially stable and higher income families who can max out annual contributions (driven by additional contributions and time in the market).

Best

Parents with access to employer contributions (up to $2,500 per year, often pre-tax) (i.e., corporate employees, unionized workers, and employees at firms publicly supporting the program). Or families with access to philanthropic deposits if they meet certain qualifications.

Now that we have discussed the program and who it benefits, let's turn to the question of "Should I Fund a Trump Account?"

1 Micael Piwowar, PhD., Robert Shapiro, PhD, (2025). The Economic Impact of Invest America Accounts. Milken Institute.
2 Monte Carlo simulations assume that historical data is a reliable proxy for future behavior, and this may not be the case with market returns.

Should I fund a Trump Account, 529 plan, or trust?

Evaluate: What's the purpose of funds being saved?

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. This section will evaluate the various options.

To begin, here are some questions to consider:

Is saving for education the goal?

If so, a 529 plan may be best.

Is funding retirement the goal?

If so, funding a 529 plan up to the $35,000 Roth rollover limit, then funding a Trump Account, may be better. In addition, converting the Trump Account to a Roth IRA may provide enhanced retirement funds.

Conversion to a Roth IRA cannot occur until the beneficiary reaches age 18, subject to future guidance and standard Roth conversion rules.

Is gifting or estate tax savings the goal?

Any account may suffice. All the options discussed below would get assets outside of a taxable estate. Consider that the ability to superfund a 529 using 5 years' worth of annual exclusions may provide more of a gift or estate tax savings. Trump accounts have a $5,000 per year limit, whereas all other accounts considered here have no contribution limits. Just keep in mind that the use of some lifetime exemption may be warranted.

Is continued control by the owner past the age of majority a factor?

Use of a 529 plan or an irrevocable trust may be a better choice.

Is income tax savings the goal?

The better choice may be a 529 plan if actually used for education or a Roth IRA rollover. If funds will not be used for education, likely a combination of funding a 529 plan (up to Roth IRA rollover limit) and then funding a Trump account and making a Roth IRA conversion once the kiddie tax rules no longer apply. Taxable brokerage accounts may offer advantages like the preferential capital gain rate for qualified dividends and long-term capital gains.

The alternative savings options

UTMAs and UGMAs/Taxable accounts

Uniform Transfer to Minor Accounts (UTMAs) or Uniform Gifts to Minor Accounts (UGMAs) are straightforward gifting tools, but with less tax efficiency and limited control once the child reaches the age of majority (18 or 21, depending on state law). Funds can be used by the child for any purpose once they reach the age of majority, but they are also taxed on any income they produce and are subject to the kiddie tax rules if the child is under age 18. UTMAs/UGMAs are best when parents are comfortable with loss of control. There are no guardrails once ownership transfers.

With a taxable account held jointly or individually in the parent's names, they retain full control indefinitely. Assets are legally the parent's not the child's, since they are essentially earmarked for the child but not gifted. This is the maximum-control option. It is useful when parents want flexibility around timing, purpose, or changing family circumstances. The trade-off is tax inefficiency. There are no kiddie tax implications. However, dividends and gains are taxed annually at the parent's rates.

Strategic takeaway

- **UTMA** = early control loss
- **Taxable** = no forced control loss
- **Trump Account** = delayed, restricted control loss

There is also a college planning/financial aid consideration. UTMAs are the worst structure for need-based financial aid, because they are counted as student assets and assessed at up to 20% per year in FAFSA formulas. If college aid is a concern, parent-owned taxable accounts are far superior to UTMAs. These are counted as parent assets and assessed at a much lower rate (up to ~5.6%). Trump Accounts are expected to be comparable to parent assets for FAFSA purposes, depending on withdrawal timing.

From an estate and gift tax viewpoint, UTMAs/UGMAs are completed gifts at contribution (as is a Trump account). They remove assets from the donor's estate. Gifts are irrevocable. This is useful for estate reduction, but risky if family dynamics change. With a taxable account, there is no completed gift until funds are transferred.

529 plans

529 plans are ideal savings vehicles when education is the primary goal, and families want simplicity with potential state tax benefits. Funds in 529 plans are tax deferred and can be withdrawn tax free, but only for certain qualified educational costs (though up to $35,000 can be rolled over tax-free into a Roth IRA). These are optimized for qualified education expenses.

A Trump Account is designed as a general "starter asset." It is intended for education, first home, business start-up, or eventual retirement. From a strategic framing standpoint, a 529 plan is goal specific, whereas a Trump Account is life stage specific.

In considering the tax treatment of 529 plans versus Trump Accounts, for education-only goals, a 529 plan is more tax efficient. Trump Accounts trade the tax-free treatment for broader permissible uses.

For college planning/financial aid considerations, a 529 plan can be either parent or grandparent owned, and that determines whether it is a counted asset or not for financial aid. For Trump Accounts, there may still be some uncertainty regarding FASFA treatment. It is predicted that Trump Accounts will typically not be counted as a student asset during accumulation (since it is a retirement-style account). Financial aid impact for Trump Accounts will more likely occur when funds are withdrawn, not while growing.

From an estate and gift tax consideration viewpoint, 529 plans are completed gifts and assets are generally removed from the donor's estate. The donor retains control and can change the beneficiary. 529 plans also are eligible for front-loading up to 5x the annual exclusion. Trump Accounts have no 5-year front-loading provision. For estate planning, 529 plans are meaningfully more powerful and flexible, especially for grandparents or high-net-worth families.

Bottom line here is that if you are saving for education as the primary goal, generally, use a 529 first, then consider a Trump Account as a complement, but not as a replacement for education savings.

Traditional/Roth retirement accounts

Retirement accounts like traditional or Roth IRAs offer tax-deferred or tax-free growth but require earned income to contribute and are inaccessible for penalty-free withdrawals until age 59½ unless the distribution meets certain criteria for an exception.

With these accounts, the account owner is the contributor. Again, this would be the child who would be required to have earned income. With a Trump Account, there is no earned income requirement, and the adult is custodian until 18 and then the child becomes the legal owner.

For strategic framing, IRAs are income-based retirement tools, whereas Trump Accounts are age-based starter asset tools.

Similar to IRAs, Trump Accounts are tax deferred, and withdrawals after age 18 are taxed as ordinary income. Trump Accounts resemble Traditional IRAs without the retirement focus and without the Roth-style tax-free withdrawals.

For college planning/financial aid considerations, retirement accounts are excluded from FASFA asset calculations, and withdrawals may count as income in future aid years. Again, as mentioned previously, there may still be some uncertainty regarding FASFA treatment of Trump Accounts. It is predicted that Trump Accounts will typically not be counted as a student asset during accumulation (since it is a retirement-style account). Financial aid impact for Trump Accounts will more likely occur when funds are withdrawn, not while growing.

From an estate and gift tax viewpoint, for parents, a child's IRA remains in the child's estate, not the parent's estate. Trump Accounts can be used to reduce an estate, but they are not intended to make a meaningful dent if estate tax savings is the goal.

The bottom line here is that IRAs (especially Roth IRAs) are lifetime tax-optimization tools. Trump Accounts are an early-start, asset-building tool with guardrails. In practice, IRAs should almost always be prioritized for retirement-eligible savers. Trump Accounts make sense only after retirement funding is on track, or when the beneficiary has no earned income, the employer or philanthropic contributions materially enhance returns, or homeownership or business capital is a realistic early-adult goal.

Irrevocable trusts

Irrevocable trusts can be powerful planning vehicles for families with estate, control, or asset protection objectives, though they are more complex and costly. These are highly customizable and can last decades or generations (depending on state law). Trump Accounts are an early-life, asset-building tool for a specific child with limited flexibility.

From an income tax planning standpoint, irrevocable trusts can be grantor or non-grantor trusts, and there is no inherent tax deferral unless paired with specific strategies. They require ongoing planning to avoid tax inefficiency. Trump Accounts offer tax deferral.

Just like the funding of Trump Accounts, the funding of irrevocable trusts constitutes completed gifts, and assets are removed from the donor's gross estate. However, Trump Accounts offer shallow estate reduction from a planning standpoint.

Irrevocable trusts are more costly due to legal drafting, ongoing administration, tax filing, and trustee fees. They are best suited for larger asset amounts and families with clear wealth-transfer goals. Trump Accounts are best suited for modest balances and for families without access to sophisticated planning.

Many affluent families will consider both – a Trump Account for baseline saving as well as a trust for long-term governance. Those with an established irrevocable trust may consider a Trump Account for the simplicity, knowing that estate planning is secondary. The value of Trump Accounts is enhanced when employer or philanthropic contributions materially enhance returns.

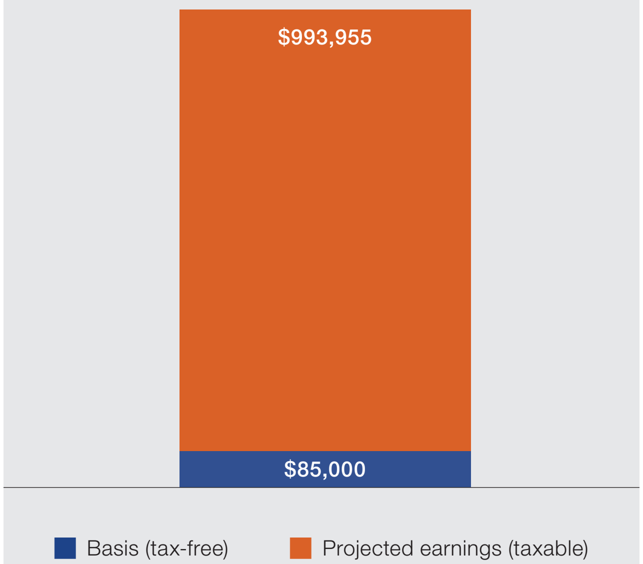
How do Trump Accounts compare with other account types for kids?

Now that we have compared the various savings options with Trump Accounts, let's look at the numbers.

Trump Account vs. Roth IRA

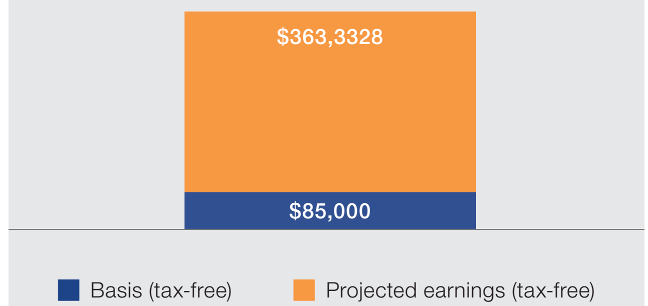
Trump Accounts

- Born in 2026 – 2029
- Contribute $5,000 per year for 17 years
- Assume invest until age 59½
- Assume 5% ROR
- Result:
  - — $85,000 basis (tax-free)
  - — $993,955 Projected earnings (taxable)



Roth IRA

- Born in 2026
- Begin contributing $5,000 per year at age 18 for 17 years
- Assumes there is earned income those early years of contributions (as well as all future years)
- Assume invest until age 59½
- Assume 5% ROR
- Result:
  - — $448,328 (tax-free)



This analysis compares the projected outcomes of contributing $5,000 per year beginning at age 0 for 17 years to a Trump Account versus a Roth IRA beginning at age 18, assuming a 5% rate of return and investing until age 59½. For the Roth IRA, contributions are deferred since the child must have compensation in order to make a contribution. For an individual born in 2026, the Trump Account results in an $85,000 basis (tax-free) and $993,955 in projected taxable growth, while a Roth IRA (with contributions beginning at age 18) under the same conditions yields the same $85,000 basis and $363,328 projected tax-free growth. The Roth IRA offers the advantage of fully tax-free growth and withdrawals. However, this comparison highlights what early compounding is worth, even though the Trump Account has a weaker tax treatment.

Key Wealth

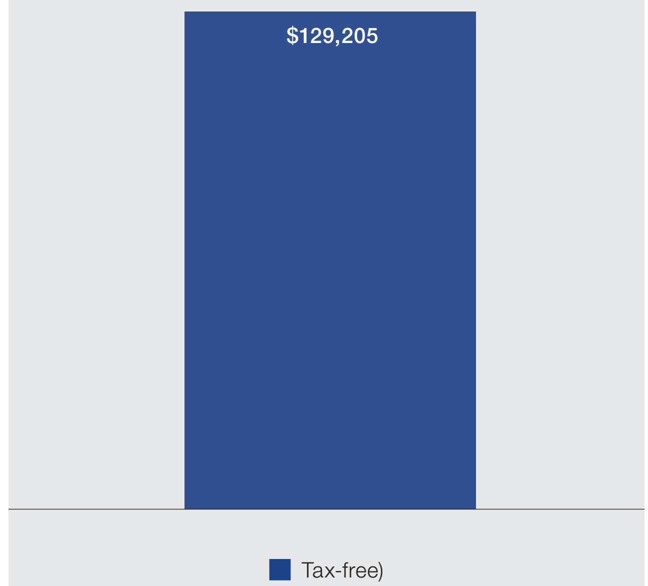
Trump Account vs. 529 plan

Trump Accounts

- Born in 2026 – 2029
- Contribute $5,000 per year for 17 years
- Assume 5% ROR
- Result:
  - — $85,000 basis (tax-free)
  - — $44,205 Projected earnings (taxable)

529 plan

- Born in 2026
- Contributing $5,000 per year for 17 years
- Assume 5% ROR
- Result:
  - — $129,205 (tax-free)



The analysis shows that both the Trump Account and the 529 education plan allow for annual contributions of $5,000 over a 17-year period, assuming a 5% rate of return. For a child born in 2026, this results in a total of $129,205 in a 529 plan, which is tax free. In comparison, the Trump Account accumulates $85,000 in contributions (tax-free) and $44,205 in projected earnings (taxable). While the 529 plan is best suited for education funding and offers tax-free growth, the Trump Account provides greater flexibility for both education and retirement savings, though earnings may be subject to taxes.

Saving options for children: At a glance comparison

	529 Education Plan	Trump Account	UTMA/Taxable Account	Irrevocable Trust
Best used for	Education funding	Long term flexibility (education + retirement)	General gifting	Advanced estate planning
Who can contribute	Parents, family	Parents, family, employers, nonprofits	Parents, family	Grantor / family
Annual contribution limit	No limit (subject to state plan's aggregate limit)	$5,000 per year (until age 18)	No limit	No limit
Government incentives	State incentives may apply	$1,000 federal pilot contribution (born 2025 – 2028)	None	None
Investment flexibility	Limited, state-based menus	Low cost index funds only	Full flexibility	Full flexibility
Tax treatment while growing	Tax-free if used for education	Tax-deferred growth	Taxable annually, possible kiddie tax rules apply	Taxed at trust or beneficiary level
How funds can be used	Qualified education expenses	Broad use over lifetime	Any purpose after majority	Per trust terms
Early withdrawal penalties	Yes, if non-qualified	Yes, before age 59½	None	None
Control over funds	Account owner controls	Child assumes control at age 18	Transfers upon attaining age of majority	Trustee controls
Ability to change beneficiary	Yes	No	No	No
Complexity level	Low	Moderate	Low	High

Key Wealth

Illustrative scenarios for Trump Accounts

Scenario 1:
Strategic education planning

A parent funds a Trump Account for their child at age five, contributing consistently and executing a balanced investment strategy. By age 18, the accumulated assets could provide resources for education (to supplement, not supplant the use of 529 plan assets) while preserving capital for future retirement needs.

Scenario 2:
Entrepreneurial capital formation

Parents fund a Trump Account for their child during childhood, leveraging flexible contributions and dynamic investment tactics. Once they turn a 18, the child keeps the account (becomes a Traditional IRA and converts to a Roth IRA), and by age 25, the accrued funds underpin the launch of a business initiative, exemplifying the account's utility in fostering entrepreneurial activity.

Scenario 3:
Retirement supplementation

An individual utilizes a Trump Account to complement traditional retirement vehicles, drawing periodic distributions for healthcare and wellness, while allowing remaining funds to continue compounding in a tax-advantaged environment for future security.

Scenario 4:
Teaching early financial literacy

A parent opens a Trump Account for their child at birth, making small, regular contributions over the years. As the child grows, the parent uses the account as a teaching tool — reviewing statements together, discussing basic investing principles, and setting simple savings goals. By the time the child enters high school, they have developed a solid foundation in financial literacy, understand the value of long-term planning, have experience in U.S. equity index investing, and possess a meaningful account balance to support educational or entrepreneurial pursuits in the future.

Conclusion

Bottom line, families are likely to use a combination of financial tools rather than relying on a single option. By working with a financial advisor, parents and grandparents can utilize savings and investment vehicles to support the next generation, with potential benefits that extend beyond simple account growth.

Trump Accounts may serve as one option for addressing a range of financial objectives, from education funding to long-term savings. Understanding their features, limitations, and appropriate use cases can help financial professionals provide informed guidance and support client decision-making.

As financial products continue to evolve, additional tools will likely emerge alongside existing options. Trump Accounts represent one component within a broader, diversified planning framework. Financial professionals who remain informed about regulatory developments, tax considerations, and practical applications can assist families in evaluating complex choices. Incorporating these accounts into comprehensive financial strategies may help individuals and families work toward both short- and long-term financial objectives, including overall financial stability and intergenerational planning.

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.

Accounts can currently be set up using the process outlined above. It is projected that contributions can be made after July 4, 2026. Look for updates on https://www.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.

260324-4249929