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Coming Soon in 2026: Trump Accounts for Children Under Age 18

WRITTEN BY

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What Are Trump Accounts?

A Trump account is a type of individual retirement account (IRA) established for the exclusive benefit of a child and designated as a "Trump account" at inception. Created by the One Big Beautiful Bill Act (the OBBBA), the account is governed by new Internal Revenue Code (IRC) provisions, including §530A and §128.[1] Trump accounts operate under special rules intended to seed and simplify long-horizon investing for children through the year before they turn 18 — referred to in the rules as the "growth period." After the growth period, most special Trump account rules fall away, and thereafter the account largely functions like a standard traditional IRA under §408(a).

In December 2025, the IRS issued initial guidance for Trump accounts in IRS Notice 2025-68 (2025-52 IRB 1) (the Notice). The Notice includes additional compliance details and requests public comments on various topics that will hopefully be addressed in more formal rulemaking. This article explores the details of the Notice, offers initial thoughts on areas of clarification, and explores considerations for employers who may have employees asking for employer assistance with funding Trump accounts.

Who Is an Eligible Beneficiary of a Trump Account and How Is a Trump Account Established?

There are three key players with Trump accounts: the ***eligible beneficiary***, the ***authorized individual*** who establishes the Trump account for the eligible beneficiary, and the ***trustee*** who holds and invests the Trump account assets for the eligible beneficiary at the direction of the authorized individual.[2]

An eligible beneficiary must be a minor who does not attain age 18 until a later year at the time the election to establish a Trump account is made. The eligible beneficiary also must have a Social Security number issued prior to the Trump account election.

The authorized individual is the parent or other person in a specified relationship with the eligible beneficiary who establishes the Trump account. There is a "pilot program" discussed below in which the Trump account may be established by anyone for whom the eligible beneficiary is a "qualifying child" under §152(c).[3] Outside of the pilot program, the authorized individual must be a legal guardian, parent, adult sibling, or grandparent of the eligible beneficiary, in that order. In other words, outside of the pilot program, a grandparent cannot establish a Trump account for a grandchild who has parents that can do so.

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Treasury will select one or more institutions to act as the trustee for all Trump accounts when they are initially established. After the initial Trump account is established, the authorized individual may cause the initial account to be rolled over to another permitted trustee, which may be a bank or a nonbank entity that meets certain qualification requirements. Initially, nonbank entities that have previously qualified as trustees for traditional IRAs under §408(a) will be considered qualified trustees for Trump accounts.[4]

Only one Trump account may be established for any given eligible beneficiary. An authorized individual establishes an eligible beneficiary's initial Trump account through a filing with Treasury, either at the time of filing of the authorized individual's 2025 tax return or later, on an IRS form (Form 4547, per the Notice)[5] or electronically via a designated portal (found at trumpaccounts.gov), all to be established by mid-2026. After the initial Trump account has been established and receives initial contributions, the authorized individual can then decide whether to cause the initial account to be rolled over to another permitted trustee. The Notice does not reference any minimum period that the Trump account must be held with the initial trustee.

While the Trump account is described as a type of traditional IRA under §408(a), it specifically cannot be a simplified employee pension (SEP) or savings incentive match plan for employees (SIMPLE) IRA under §408(b) or a Roth IRA under §408A. See below for a discussion about whether a Trump account can be converted to a Roth IRA after the growth period.

What Is the Pilot Program?

The OBBBA added a pilot program under §6434 to provide a federally funded $1,000 initial contribution to Trump accounts for certain eligible beneficiaries. The authorized individual applies for participation in the pilot program at the same time the application is made for the initial Trump account. To receive the pilot program contribution, the eligible beneficiary must qualify as an "eligible child" under §152(c) and must be a U.S. citizen born after December 31, 2024, and before January 1, 2029.

If properly elected, Treasury will deposit $1,000 into the initial Trump account as soon as practicable after the election is made and the account is confirmed to be open, although not before July 4, 2026 (*i.e.*, the one-year anniversary of the OBBBA's enactment).

What Other Contributions May Be Made to a Trump Account?

There are several ways that additional contributions can be made to a Trump account during the applicable growth period.

First, "qualified general contributions" may be made by government entities or 501(c)(3) charities to a defined class of eligible beneficiaries. In general, the eligible beneficiaries who receive a particular qualified general contribution must be all eligible beneficiaries still in their growth period who either live in a particular state (including the District of Columbia) or other "qualifying geographic area," or who were born in specified calendar year(s).[6] Private philanthropists have begun making commitments to additional seed funding that appear to fall under the "qualified general contributions" category. The Dell Foundation pledged $6.25 billion to provide up to $250 of funding per Trump account for the first 25 million American children under age 10 who live in ZIP codes with median incomes below $150,000.[7] U.S. Treasury Secretary Scott Bessant announced a "50 State

Challenge" to seek philanthropists in each state to make similar Trump account seed funding commitments.[8] Dalio Philanthropies, founded by billionaire investor Ray Dalio, has committed as part of that challenge to seed $250 in Trump accounts for up to 300,000 children in Connecticut under age 10 who live in ZIP codes with median incomes below $150,000.[9]

Second, private individuals may make contributions to Trump accounts during the growth period. It is not currently clear exactly what process will apply for making these private contributions.

Finally, employers may provide contributions to Trump accounts, including through salary reductions under a cafeteria plan, under a program that qualifies under §128, as discussed further below.

No contributions can be made before July 4, 2026. Aggregate contributions by private individuals and employers to an eligible beneficiary's Trump account may not exceed $5,000 for any given calendar year.[10] Pilot program contributions and qualified general contributions do not count against this $5,000 annual limit. The trustee must operate a process for accepting such contributions that ensures that the annual contribution limit is not exceeded. The Notice contemplates a process in which trustees accept contributions first into a holding account outside of the Trump account so that the trustee can validate that the contributions do not exceed the limit and then transfer from the holding account to the Trump account only those contributions not exceeding the limit. In that way, any amounts returned to the donor from the holding account will not be treated as the distribution of an excess contribution under §530A. If a Trump account inadvertently receives excess contributions, those excess contributions must be returned with a tax equal to 100% of any earnings attributable to those excess contributions per §530A(d)(5)(C).

How Can Employers Contribute to Trump Accounts?

The OBBBA added §128, permitting contributions by employers to Trump accounts on behalf of employees if the eligible beneficiary of the Trump account is a dependent of the employee. Contributions cannot be made for the direct benefit of the employee.

The Notice states that §128 employer contributions may be made directly by the employer or may be funded by employee salary reductions through a §125 cafeteria plan. Either way, the contributions are not taxable to the employee. Treasury expects the IRS to issue additional guidance more specifically addressing the cafeteria plan rules applied to Trump account contributions.

Whether by direct employer contribution or through cafeteria plan salary reductions, no more than $2,500 may be contributed annually on behalf of any employee under a §128 employer contribution program.[11] This annual limit applies on a per-employee, not per-child, basis. In other words, if an employee establishes Trump accounts for two children, any §128 employer contributions for that employee are capped at $2,500 per year in aggregate, not per child.

A §128 employer contribution program must be in writing and satisfy nondiscrimination requirements regarding eligibility and benefits, similar to the rules applicable to dependent care assistance programs under §129. The employer also must meet certain reporting requirements to the applicable Trump account trustee, presumably to assist the trustee in managing the $5,000 annual contribution limit. Per the Notice, the Treasury and the

Department of Labor are expected to issue guidance as to how employers can establish a §128 employer contribution program so that the program is not subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA).

How Are Trump Accounts Invested During the Growth Period?

Permitted investments for Trump accounts are tightly constrained during the growth period to "eligible investments," generally meaning:

- Mutual funds or exchange-traded funds (ETFs) that track a qualified broad-market index (*g.*, the S&P 500) invested primarily in U.S. companies.
- No leverage.
- Annual fees/expenses limited to 10 basis points (0.10%) or less.

A mutual fund or ETF will be considered primarily invested in U.S. companies if those companies represent at least 90% of the index based on their weighting. Permitted indexes may not be industry or sector specific but could be based on market capitalization levels. Treasury may identify additional criteria and qualified indices. Investments in money market funds or other cash investments are prohibited except for short-term holdings as reasonably necessary to process contributions, dividends, etc., into an eligible investment.

Are Distributions Permitted During the Growth Period?

Since Trump accounts are intended to focus on long-horizon investing, distributions during the growth period are generally prohibited. An exception applies in case the eligible beneficiary dies during the growth period. For certain disabled eligible beneficiaries, the rules also permit a rollover of the Trump account to an achieving a better life experience (ABLE) account in the year the eligible beneficiary attains age 17. A distribution may also be made to correct any contributions that may have exceeded the annual limit.

A Trump account may also be rolled over from one trustee to another during the growth period. However, an eligible beneficiary may never have more than one Trump account. The trustee receiving a qualified rollover must perform special reporting within a short window (*e.g.*, 30 days) and maintain records of source and amount of contributions.

What Happens to Trump Accounts After the Growth Period?

When the growth period ends:

- The special Trump account rules generally cease.
- The account transitions to standard traditional IRA rules (*e.g.*, ordinary contribution deductibility, distribution rules, prohibited transaction rules).
- Distribution rules shift to the usual IRA framework under §408(d) and §72, including the potential 10% early withdrawal penalty for nonexempt early distributions.
- The account cannot receive SEP or SIMPLE IRA contributions.
- Basis aggregation rules apply separately for Trump accounts and other IRAs.

The Notice contemplates that Trump accounts may include provisions in the relevant governing instruments that, at the end of the growth period, automatically transfer the Trump account assets to a traditional IRA managed by the same trustee.

The Trump account will have tax basis for private contributions during the growth period. Pilot program contributions, qualified general contributions, and employer contributions (including through cafeteria plan salary reductions) will not create tax basis in the Trump account.

It is not entirely clear at the time this article was written whether a Trump account may be converted to a Roth IRA under §408A after the growth period. Based on the Notice, the better answer appears that such a conversion should be permitted, since the Notice indicates that the Trump account is intended to generally operate as a standard IRA after the growth period, and standard IRAs can be converted to Roth IRAs under §408A and the related regulations. Hopefully, public comments to Treasury on this point will lead to clarification in Treasury regulations to be issued for Trump accounts.

What Are the Reporting and Other Compliance Requirements for Trump Accounts?

Trustees bear substantial compliance responsibilities for Trump accounts, including obligations to:

- Track and enforce annual contribution caps for nonexempt contributions;
- Ensure investments conform to eligible investment criteria;
- Collect and report to Treasury and the eligible beneficiary source and amount details for contributions;
- Provide special reporting to Treasury for qualified rollover contributions within designated timelines; and
- Satisfy other reporting obligations to eligible beneficiaries during the growth period under §530A(i), which are anticipated to be similar to the disclosure requirements applicable to traditional IRAs.

Operationally, trustees will need robust intake processes to classify contribution type (pilot, employer §128, qualified general, private), avoid excess contributions, validate investment eligibility, track indexing adjustments to caps, and file the required information returns. Penalties may apply for failure to properly report, subject to reasonable cause exceptions.

Employers offering §128 Trump account benefits also have reporting and compliance responsibilities, including obligations to:

- Establish a written §128 employer contribution plan, including any necessary amendments to the employer's cafeteria plan, all supported through appropriate employee communications and education;
- Comply with nondiscrimination, eligibility, notification, and benefit design requirements akin to dependent care assistance programs;
- Ensure proper reporting of §128 contributions to each applicable Trump account trustee; and
- Properly monitor and enforce the §128 annual contribution limit.

What to Expect Next?

The IRS and Treasury are expected to issue additional guidance, including sample governing instrument

language, detailed rules on employer contribution administration, and investment eligibility procedures. Comments on proposed regulations are requested by February 20, 2026, per the Notice. As noted above, Treasury and the Department of Labor are also expected to issue guidance regarding the ERISA status of §128 employer contribution programs, and Treasury will issue additional guidance regarding adding Trump account salary reductions to the menu in cafeteria plans. Stakeholders should monitor guidance updates and adjust compliance procedures accordingly.

The Notice directly requests public comment on the intended regulations and, in particular, highlights the following topics for input (with the specific Notice Q&A sections asking for the public comments as noted):

- The ordering rule for who may open an account for an eligible child (Q&A A-1).
- The requirements or process for nonbank trustees; possible changes and the impact of Trump account trusteeship (Q&A A-3).
- The definitions of “mutual fund” and “ETF” for eligible investments (Q&A D-1).
- The appropriate methodology for determining whether a fund meets the 10-basis point expense cap for eligible investments (Q&A D-4).
- The adequacy and appropriate threshold (90%) for determining that an index is “primarily” composed of U.S. companies (Q&A D-5).
- Whether and when it is appropriate for funds to temporarily remain uninvested in eligible investments (Q&A D-7 and D-9).
- Procedures to handle situations where an otherwise eligible investment becomes ineligible (Q&A D-9).
- The application of withholding requirements for permitted distributions during the growth period (Q&A E-1).
- Disclosure and annual reporting formats and requirements for trustees (Q&A F-1).
- Trustee reporting procedures for qualified rollover contributions — formats and burdens (Q&A F-4).
- The process and uniform criteria for designating “qualified geographic areas” for the purpose of defining qualified classes for general funding contributions (Q&A H-2).

What Should Employers Do Now?

Employers considering adopting a §128 employer contribution arrangement should monitor the rulemaking process and begin to assess the potential employee demand for employer support for such a program. Will employees value Trump account contributions over other types of employee benefits, such as reduced costs for health care coverage premiums, greater employer matching contributions to 401(k) plans, etc.? Given employer budget limitations for benefits, each employer will need to make the appropriate business judgment as to how Trump account contributions might fit into the employer’s overall benefit program and general employee philosophy. Employers with collectively-bargained employees might expect future bargaining around such contributions.

Also, employers cannot set up Trump accounts for their employees or eligible children — only the employees may act. Even if employers do not adopt a §128 employer contribution program, they may want to consider educational programs and other types of assistance to help employees timely open Trump accounts and take advantage, if eligible, of the pilot program contributions and other seed funding programs that will emerge.

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[1] For purposes of this article, all section references are to sections of the IRC, unless otherwise noted.

[2] §530A technically refers to eligible beneficiaries as “eligible individuals,” but we use “eligible beneficiary” in this article to more clearly express the status of the individual with respect to the Trump account.

[3] Under §152(c), a “qualifying child” generally includes anyone who is the child (or descendant of a child, and including adopted children, stepchildren, or eligible foster children), or is a brother, sister, stepbrother, or stepsister, or a descendant of any such relative (such as a niece or nephew), and who meets certain other tests regarding age, residency, support, etc.

[4] The Notice clarifies that Trump accounts may also be held in custodial accounts that are treated as trust accounts under §408(h).

[5] A draft of Form 4547 is available here.

[6] A “qualified geographic area” must have at least 5,000 account beneficiaries and be designated by Treasury. However, during the initial rollout, geographic area designations will not be made, so qualified classes are limited to those in the growth period, those in certain states or D.C., or those born in specific years.

[7] See the December 2, 2025 White House announcement available here. It is not clear how the Dell Foundation’s commitment based on ZIP codes of eligible recipients satisfies the relevant geographic requirements for a qualified general contribution given the Notice’s declaration that, for now, “qualifying geographic area” determinations will not be made. Presumably, the Dell Foundation commitment will receive such authorization, given that the commitment is being publicly amplified by the White House and Treasury.

[8] See the December 17, 2025 press release from the Department of the Treasury here.

[9] See December 17, 2025 press release from Dalio Philanthropies here.

[10] The aggregate limit will be adjusted for cost of living after 2027.

[11] As with the $5,000 aggregate annual limit, this $2,500 employer contribution sub-limit will be adjusted for cost of living after 2027.

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