Podcasts | August 5, 2026

Employee Benefits and Executive Compensation — Preparing for 2027 — Trump Accounts

SPEAKERS

James E. Earle | Jeffery R. Banish

In this episode of *Employee Benefits and Executive Compensation — Preparing for 2027*, Jim Earle and Jeff Banish, attorneys in Troutman Pepper Locke's Employee Benefits + Executive Compensation practice, break down Trump accounts, a new type of individual retirement account established under the One Big Beautiful Bill Act designed to build long-term wealth for children. Jim and Jeff walk through who qualifies as an eligible beneficiary, how accounts are established, key rules governing the growth period, including contribution limits and permitted investments, and the federally funded $1,000 pilot program contribution for children born between 2025 and 2028.

The episode also explores the exciting opportunities Trump accounts present for employers, including how companies can contribute to employees' children's accounts directly or through a cafeteria plan salary reduction arrangement under a Section 128 employer contribution program. Jim and Jeff address compliance and reporting obligations, outstanding IRS and Treasury guidance, and important planning considerations as employers weigh Trump account contributions against other benefits.

Listeners can find updates on health and welfare plans, executive compensation, and retirement plans in other episodes in the series.

Transcript

Episode: *Employee Benefits and Executive Compensation — Preparing for 2027* — Trump Accounts
Hosts: Jim Earle and Jeff Banish
Recorded: June 25, 2026
Aired: August 5, 2026

Jim Earle (00:00):
Hi everyone. Welcome to our podcast series, Employee Benefits and Executive Compensation Preparing for 2027. I'm Jim Earle and I'm joined today by my colleague Jeff Banish.

Jeff Banish (00:17):
Thanks, Jim. Today we'll be discussing a brand new type of retirement account, namely the Trump account. A Trump account is a special type of individual retirement account created under the One Big Beautiful Bill Act. It's designed especially for children, but do not let the name of the account deter you from looking into this because

Trump accounts present a fantastic opportunity to create generational wealth for your children. Additionally, many employers are considering allowing their employees to fund Trump accounts through the employer's cafeteria plan, and some employers are even considering making matching contributions to Trump accounts established by their employees. The Treasury Secretary recently announced that nearly 6 million children have signed up as of May 27th of '26.

Jim Earle (01:10):
Yeah, in this episode, we're going to break down how these accounts work, what makes them different, and some of the planning opportunities and pitfalls that they present for families, advisors, and employers. So, Jeff, let's start with the basic. What is a Trump account?

Jeff Banish (01:26):
A Trump account is basically a type of individual retirement account established for the exclusive benefit of a child, who we'll refer to throughout this podcast as the eligible beneficiary. Trump accounts operate under special rules of the Internal Revenue Code and are intended to encourage long-horizon investing for children before the year they turn age 18. And we'll refer to that period through the year before the year they turn 18 as the "growth period." After the growth period, most Trump accounts fall away, or I should say most special Trump account rules fall away, and thereafter the account largely functions like a standard traditional IRA. Unlike a traditional IRA, however, there's no earned income requirement to fund a Trump account.

Jim Earle (02:19):
In our discussion today, we will largely focus on the guidance that the IRS issued this past December, IRS Notice 2025-68. That notice includes additional compliance details and requests for public comments on various topics that will hopefully be addressed in more formal rulemaking. There's only been one proposed regulation issued so far in March that addresses some narrow issues about how to open Trump accounts, plus there's been a recent DOL technical release just issued this June clarifying that Trump accounts should almost never be considered ERISA-covered plans. Okay, Jeff, so who exactly is an eligible beneficiary of a Trump account and how is a Trump account established?

Jeff Banish (03:02):
Jim, a Trump account can only be established on behalf of a minor child who will not turn 18 until the year after the year in which the Trump account is established. And again, we're going to refer to that minor child as the eligible beneficiary. One requirement is that the child, however, must have a Social Security number issued prior to establishment of the Trump account on the child's behalf.

Jim Earle (03:28):
Right. Right. And Trump accounts are not automatically established, so there is an action required by another individual. We're going to call that person in this podcast the authorized person. The authorized person is typically the child's parent, but may be another person in a specified relationship with the child, like a legal guardian. Also, there is a pilot program under which a Trump account can be established by anyone for whom the eligible beneficiary is what we call a qualifying child under Code Section 152(c).

A qualifying child generally includes anyone who is the child or descendant of a child and includes adopted children, stepchildren, eligible foster children, or is a brother, sister, stepbrother, stepsister, or descendant of any such relative, like a niece or nephew, and who meets certain other tests regarding age, residency, support, etc. But outside that pilot program, the authorized individual must be a legal guardian, parent, adult sibling, or grandparent of the eligible beneficiary in that order. So in other words, outside the pilot program, a grandparent cannot establish a Trump account for a grandchild who has a parent that can do it. This interplay, by the way, between the authorized person to set up the Trump account and the person who can act for a qualifying child for the pilot program is really nuanced. It's tricky and it could lead to confusion and errors in the signup phase.

Jeff Banish (04:56):
Yeah. And a Trump account, Jim, generally is held as a trust account with a legal trustee. Treasury intends to select one or more institutions to act as a trustee for all Trump accounts when they are initially established. This past April, Treasury announced that BNY Mellon will serve as the financial agent to manage initial Trump accounts. BNY Mellon has partnered with financial services firm Robinhood to serve as the initial trustee. After the initial Trump account is established, however, the authorized individual may cause the initial account to be rolled over to any other permitted trustee, which may be a bank or a non-bank entity that meets certain qualification requirements. Initially, non-bank entities that have previously qualified as trustees for traditional IRAs will be considered qualified trustees for Trump accounts. Trump accounts also may be held in custodial accounts that are treated as trust accounts.

Jim Earle (05:57):
Yeah. And just to be clear, only one Trump account may be established for any given eligible beneficiary. So an authorized individual establishes an eligible beneficiary's initial Trump account through a filing with Treasury either at the time of filing the authorized individual's 2025 tax return or later on something called IRS Form 4547. And yes, 4547 because Trump is the 45th and 47th president. Okay. There's also a mobile app that's available and there's also an IRS secure website where some of this information is available, and that is trumpaccounts.gov. That's T-R-U-M-P-A-C-C-O-U-N-T-S.gov. I understand there are some other website addresses close to that but are not quite the same, so be careful. After the initial Trump account has been established and receives initial contributions, the authorized individual can then decide whether to cause the initial account held at Robinhood to be rolled over to another permitted trustee. There does not appear to be any minimum period of time the Trump account must be held with the initial trustee. And by the way, a Trump account cannot be established as a Roth IRA.

Jeff Banish (07:13):
Let's go back and revisit what's the pilot program you mentioned earlier.

Jim Earle (07:17):
This is really important. The OBBBA added a pilot program that provides a federally funded $1,000 initial contribution to the Trump accounts for certain eligible beneficiaries. The authorized individual applies for participation in the pilot program at the same time they apply for the initial Trump account. There is a section on that IRS Form 4547 I mentioned to request a pilot program contribution for an eligible child. To receive the pilot program contribution, the eligible beneficiary must qualify as an eligible child under Section 152(c), we mentioned that earlier, must be a US citizen born between January 1, 2025, and December 31, 2028.

So, if properly elected, Treasury will then put $1,000 into that eligible beneficiary's initial Trump account as soon as practicable after the election has been made and the account is confirmed to be open. Although July 4, 2026, is the earliest date because that's the one-year anniversary of the enactment of the OBBBA. So on that trumpaccounts.gov website we mentioned, there are links to filling out the Form 4547, and that can be done electronically, although it has to go through the ID.me verification account process. And there's also a link to an official Trump account app for these accounts. By the way, some early reports indicate that that app has some technical challenges, so hopefully that's going to get smoothed out. There've been a number of commentators, by the way, who asked Treasury to set up the pilot program as an opt-out program. That is, any child born between 2025 and 2028 who's issued a Social Security number should automatically get $1,000 put into an automatically established Trump account. That's not what Treasury has done. So the pilot program requires an affirmative opt-in for the account. So the authorized individual has to do something first in order for that account to be set up and the contribution to be made. And by the way, my own 2 cents on this, I think this structure, this opt-in requirement, could result in many lower-income households missing out on this pilot program opportunity without broader community outreach. Jeff, let's discuss some of the other contributions. What other type of contributions can be made to a Trump account?

Jeff Banish (09:39):
Of course, private individuals may make contributions to the Trump accounts during the growth period of the eligible beneficiary. So if we're talking about the child's parent or other relatives, can basically contribute to the child's Trump account. Contributions to the Trump account are non-deductible, so they have to be made from after-tax funds.

Jim Earle (10:00):
Gotcha. There's also, I think, kind of like the pilot program, this thing called qualified general contributions. And these can be made by government entities like state or local governments or by 501(c)(3) charities to a defined class of eligible beneficiaries. In general, those eligible beneficiaries have to be in a particular geographic zone, like a state, that includes, could include District of Columbia, and they have, or they could be required to have been born in a specified calendar year. A qualified geographic area for this purpose has to have at least 5,000 account beneficiaries and be approved by Treasury. There are some private philanthropists who've already stepping up to make contributions that appear to fall into this qualified general contribution category. The most notable one has been the Dell Foundation, which pledged 6.25 billion, that's billion dollars, 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. Treasury Secretary also announced a 50-state challenge to seek philanthropists in other states to do similar things in their states. And one of those has been noted recently is the Dalio Philanthropies, which has done something like that Dell Foundation contribution, the commitment for the state of Connecticut. The first 300,000 children under age 10 in the state of Connecticut who live in ZIP codes with the median incomes below $150,000 can get a $250 seed funding to their Trump accounts. So, Jeff, alright, we're employee benefit attorneys in an employee benefit practice advising employers about their benefit programs. Can employers help with Trump accounts for their employees?

Jeff Banish (11:49):
Jim, that's actually, I think, the more exciting part of this new account. Employers can make contributions to Trump accounts on behalf of the children of their employees, so long as the eligible beneficiary of the Trump account is a dependent of the employee.

Contributions cannot be made for the direct benefit of the employee himself or herself. But employer contributions can be made directly by the employer or may be funded by employee salary reductions through, for example, a cafeteria plan. Either way, the contributions are not taxable to the employee, whether the employer funds it entirely or the employer permits the employee to make salary reductions through a cafeteria plan, which of course are pre-tax contributions. Now, the employer is required to establish the employer contribution in writing, and the program must satisfy certain nondiscrimination requirements regarding eligibility and benefits, similar to the rules generally applicable to dependent care assistance programs under Code Section 129. The employer also has to satisfy certain reporting requirements to the applicable Trump account trustee. We think the Treasury and the Department of Labor expect to issue additional guidance on how employers can establish these employer contribution programs that you'll hear referred to from time to time as Section 128 employer contribution programs.

And as, Jim, you mentioned earlier, the program is not subject to ERISA as an employee benefit plan. A growing number of companies, including, for example, JPMorgan Chase, Intel, and Steak 'n Shake, have already promised to contribute an additional $1,000 for employees' children born from 2025 to 2028 to match the government's contribution you discussed in the pilot program. So there is some excitement here, and many employers are looking at this as an added benefit for their employees. It's going to be something you're going to see, I think, a lot. It'll get a lot of airplay in the next six to 12 months. Are there any limits on the amounts that can be contributed to a Trump account? I know there are. Why don't you discuss those?

Jim Earle (14:07):
Yeah, absolutely, Jeff. There are certainly limits that the code sections impose. There's a timing limit. No contributions can be made before that July 4, 2026 date I mentioned earlier. So those aggregate contributions by private individuals and employers to an eligible beneficiary's Trump account cannot exceed $5,000 for any given calendar year. That's the chief limit. Pilot program contributions and those qualified general contributions, like the Dell Foundation contributions that I mentioned, do not count against this $5,000 annual limit. The trustee of the Trump account has to operate a process for accepting contributions that ensures that the annual contribution limit is not exceeded. The notice I mentioned from December last year contemplates a process where the trustee accepts contributions first into some sort of holding account that's outside the Trump account so that the trustee can validate that the contributions do not exceed that limit and then transfer the contributions from the holding account to the Trump account only to the extent the contributions don't exceed the limit. In that way, any amounts returned to the donor from the holding account will not be treated as a distribution of an excess contribution under the code. If a Trump account inadvertently receives excess contributions, more than $5,000, those excess contributions have to be returned with a tax equal to 100% of any earnings that were attributable to those excess contributions. So that kind of sucks. This aggregate limit, by the way, the $5,000, it gets adjusted for cost of living starting in 2027.

Jeff Banish (15:45):
Yeah, Jim, and there's a special nuance here as well because employer contributions are subject to a separate limit. You mentioned the overall aggregate limit being $5,000 for any given calendar year, excluding certain pilot program contributions and other qualified general contributions. But we also have this separate employer limit, which means whether by direct employer contributions or through employee cafeteria plan reductions, no more than $2,500 may be contributed annually on behalf of any employee under an employer's contribution. And this annual limit applies on a per-employee, not a per-child basis. So if an employee, for example, establishes Trump accounts for two children, any employer contributions for that employee are capped at $2,500 per year in the aggregate, not per child. Now, these employer contributions also are counted against the $5,000 annual limit that,

Jim, you just mentioned. And as with the $5,000 aggregate limit, the $2,500 limit on employer contributions, that sublimit will be adjusted for cost of living after 2027. And keep in mind when we're talking about this contribution sublimit, that's employer contributions or contributions that the employee makes through the employer's cafeteria plan. Jim, how are Trump accounts invested during the growth period?

Jim Earle (17:15):
Thanks, Jeff. Yeah, that's part of the policy behind Trump accounts is the idea of long-term growth and investment. So the permitted investments for Trump accounts are tightly constrained during the growth period to what are called eligible investments. And that generally means mutual funds or exchange-traded funds, like ETFs, that track a qualified broad market index like the S&P 500 that's invested primarily in US companies. Trump accounts can't borrow money or invest on a leveraged basis. And Trump account earnings from eligible investments will not be included in the eligible beneficiary's gross income when they're earned.

Jeff Banish (17:59):
There's also other additional restrictions for investments in Trump accounts in addition to the type of fund you can hold there, namely that annual fees and expenses for investments in the Trump account cannot exceed 10 basis points per year. And you talked earlier about how the investments have to be basically invested primarily in US companies. So a mutual fund or exchange-traded fund will be considered primarily invested in US companies if US companies represent at least 90% of the index based on the weighting, the relative weighting of the investments. Permitted indexes may not be industry or sector-specific, but can be based on market capitalization levels. Treasury may issue additional criteria in qualifying indices for investments in Trump accounts. And as we note, investments in money market funds or other cash investments generally are prohibited except for certain short-term holdings as reasonably necessary to process contributions or dividends into an otherwise eligible investment. I think the rules will develop. They're still a little bit broad at this point, but you're going to see those honed more as regulations are issued in the future.

Jim Earle (19:19):
Yeah. Thank you, Jeff. Can you take distributions during this growth period?

Jeff Banish (19:23):
That's another one of the nuances of these accounts. No. Distributions from the Trump account during the growth period are generally prohibited. There are exceptions in case of an eligible beneficiary who passes during the growth period. For certain disabled eligible beneficiaries, the rules also will permit a rollover of the Trump account to what is called an Achieving a Better Life Experience account in the year the eligible beneficiary attains age 17. A distribution will also be made to correct any contributions that may have exceeded the annual limit. Outside of those limited exceptions, however, no monies can come out of the account until the year the eligible beneficiary turns 18.

Jim Earle (20:06):
Got it. They can be rolled over, though. So a Trump account can be rolled over from one trustee to another during the growth period. That does not count as a distribution.

However, an eligible beneficiary can never have more than one Trump account at a time. So when once a Trump account is set up initially, there's never more than one per child. The trustee that receives a qualified rollover must perform some special reporting within a short window and maintain records of the source of the rollover and the amount of the contributions received. Jeff, so we got the growth period, it's invested, you can't take money out basically. What happens when we get to the end of the growth period?

Jeff Banish (20:43):
Yeah, when the growth period of the Trump account ends, the special Trump account rules fall away as we discussed earlier. At that time, funds generally can be distributed from the account on or after January 1st of the calendar year in which the eligible beneficiary turns 18. Withdrawals at that time for eligible expenses like higher education, first-time homebuyers, or recovery from federally declared disasters would be taxed at ordinary income rates with no additional penalty. Most people who are aware of traditional IRAs, if you take them out before age 59 and a half, you have an additional excise tax. If the funds remain in the account and they're not taken out for some of these eligible distributions, then the Trump account transitions to a standard traditional IRA and is subject to the normal IRA rules, meaning ordinary contribution deductibility depending on earnings levels, normal distribution rules, the prohibited transaction rules apply. So sort of the whole gamut of rules that would apply to a traditional IRA. So you got to look at basically all the normal rules under the usual IRA framework under Code Section 408 and Section 72, like I said, including the potential 10% early withdrawal penalty for early distributions before age 59 and a half that are not for, as we discussed, "eligible expenses". During this time, when for determining taxation of amounts that are taken out of the Trump account, the basis aggregation rules apply separately for Trump accounts and other IRAs. So Trump accounts may include provisions in the relevant governing documents that at the end of the growth period also automatically transfer the account assets to a traditional IRA managed by the same trustee. So I would expect a lot of these accounts may call for an automatic rollover, as you just talked earlier, into a traditional IRA after the qualified beneficiary turns 18.

Jim Earle (22:47):
Yeah, I bet that's going to be the case because I'm sure folks who are the trustees out there who will be taking on the Trump accounts after the initial trustee are kind of in the business of wanting to have long-term assets held and invested. So I expect that'll be the case too to make it easy. And folks will have in their Trump account tax basis for those private contributions that came in during the growth period because those come in on an after-tax basis. Things that come into the Trump account during the growth period on a pre-tax basis, the pilot program contribution, any qualified general contributions, any employer contributions including those funded through cafeteria plan salary reductions, those, because they were pre-tax, do not create tax basis in the Trump account. So eventually when you take money out, those amounts in addition to the earnings on those amounts will be subject to tax when paid out.

Jeff Banish (23:43):
And that's a real good point, Jim, because that basis accounting will determine whether the money that comes out will be subject to tax at the time it comes out or will be tax-free. So the parties will need to sort of track that basis for purposes of any distributions later from the account. As Jim mentioned earlier, the Trump account cannot be established as a Roth IRA, and it's not clear whether a Trump account may be converted to a Roth IRA after the growth period. The better answer seems to be that a conversion to a Roth IRA after the qualified individual attains age 18 should be allowed because the Trump account is intended to generally operate as a standard IRA after the growth period, and certainly standard IRAs can be converted to Roth IRAs. Hopefully public comments from Treasury on this point will lead to clarification in Treasury regulations to be issued later in the year. Jim, what other general reporting and compliance concerns are around Trump accounts?

Jim Earle (24:48):
Yeah, the trustees who hold the money, they bear really the substantial compliance responsibilities for Trump accounts, and that includes tracking and enforcing the annual contribution limits as we've mentioned, ensuring that the investments conform to the eligible investment criteria, and there is certain information reporting to Treasury required. Trustees are going to need to establish robust intake processes to classify contributions by type, pilot program, employer Section 128, etc., avoid excess contributions, validate the investment eligibility, track the indexing adjustment to the $5,000 and the $2,500 caps, and file the required information returns. And there could be penalties for trustees who fail to properly follow these rules or properly report information, subject to some reasonable cause exceptions.

Jeff Banish (25:40):
Yeah, and Jim, also employers who are offering Trump account programs also will have substantial reporting and compliance responsibilities, including obligations to establish its own written employer contribution plan, including any necessary amendments to the employer's cafeteria plan if the employer is going to permit employees to make pre-tax contributions to Trump account of their children. Employers will have to prepare and distribute appropriate employee communications and undertake employee education with respect to the program. And the program itself has to comply with certain non-discrimination eligibility and design requirements similar to, as we talked earlier, the dependent care assistance programs. The employer will have to ensure proper reporting of all contributions to each Trump account trustee and basically properly monitor and enforce the annual contribution limits that Jim and I discussed earlier. So Jim, we've talked about all this. It's a good, exciting opportunity. Where does that leave us now? Where are we?

Jim Earle (26:42):
So the IRS and Treasury are still expected to issue additional guidance, including sample governing instrument language for Trump accounts, detailed rules on employer contribution administration, and investment eligibility procedures. Treasury is also expected to issue additional guidance regarding Trump account salary reductions to the menu in cafeteria plans. That's probably what we're going to be keeping our eyes on real closely. Stakeholders, by the way, should monitor guidance updates and adjust compliance procedures accordingly. We'll be doing that too. There's also been requests for clarifications as to whether Trump accounts will count in various income and asset tests for eligibility for other government-funded benefits like SNAP, Medicaid. Absent those clarifications, there are some lower-income families who may be hesitant to pursue Trump accounts or the pilot program funding.

Jeff Banish (27:32):
Yeah, Jim. And employers considering adopting an employer contribution arrangement also should monitor the rulemaking process and begin to assess potential employee demand for employer support for Trump accounts. Now, the question to ask is, will your employees value Trump account contributions possibly over other types of employee benefits, such as reduced costs for healthcare or greater employee matching to 401(k) plans? Because I think a lot of employers may be intrigued about the use of Trump accounts to benefit their employees, but they'll have to consider whether that's something that overrules enhancing other benefits. Because we all know that every employer has budget limitations on the benefits it provides its employees, so each employer will need to make an appropriate business judgment as to how Trump account contributions fit in the employer's overall benefit program in general compensation philosophy.

I think one thing employers should look out for, I suspect if you have union employees, don't be surprised if the unions start engaging in future bargaining around contributing to the employees' Trump accounts. So keep that in mind as you go into negotiations with your unions. You could see this issue coming up. Right.

Jim Earle (28:53):
And employers need to keep in mind that the employer itself cannot set up the Trump account for their employees or their employees' eligible children. They can only set up a Trump account for an employee if the employee was 17 years old. That's not going to happen. But the employer is not the one who can do it. It's only the employees or other authorized persons who can act. So even if employers do not adopt a Section 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 funding programs that are going to emerge. Although, per that recent DOL ERISA guidance, employers should take care in that case to ensure that any such activity does not inadvertently trigger an ERISA plan issue by being viewed as somehow an endorsement of Trump accounts. Although the ERISA guidance from the DOL is trying to make that something that is going to be hard for employers to do, so employers, I think, can make it easier for their employees to navigate the whole Trump account setup world.

By the way, if you couldn't tell, at Troutman Pepper Locke, we are concerned about whether the Trump account program will be fully utilized by all eligible children and their families, particularly given some of the potential challenges in rolling this program out to lower-income communities that are going to be less savvy about long-term investments and less trusting of government programs, particularly maybe something named a Trump account. The program itself proclaims laudable goals to provide a financial head start, including for all children eligible for the pilot program contribution. But it requires action by authorized adults. To address this concern, we at Troutman Pepper Locke are actively working on a pro bono program to reach out through local organizations serving those underserved communities in order to help educate and encourage and help with that enrollment process. Okay. So that is all for today's discussion on Trump accounts and the new framework under the One Big Beautiful Bill Act. We have covered how these accounts are structured, what happens during the growth period, and how they transition into something that looks like a standard traditional IRA once the child reaches adulthood. If you have any questions or need further assistance, please do not hesitate to reach out to our team at Troutman Pepper Locke.

Jeff Banish (31:19):
Yeah, and I would echo that same comment. I've talked to many of my clients about Trump accounts already, and they're interested in delving more into what they can do. And if you haven't heard about it, reach out to your Troutman lawyer and talk about it. There's going to be a lot of interest, I think, from employees for this type of program as well. And also be sure to check out our additional episodes in our series, Employee Benefits and Executive Compensation: Preparing for 2027. We'll be covering other key developments in the employee benefits and executive compensation space through the rest of the year. Thank you for listening.

RELATED INDUSTRIES + PRACTICES

- Employee Benefits + Executive Compensation