Stoker Ostler Wealth Advisors, Inc.

Trump Accounts (Sec. 530A):

Understanding the Account Features

Overview:

- Trump Accounts are new custodial-style Individual Retirement Account (IRA) established for minors.
- The accounts are owned by the child and administered by an adult (typically a parent) until the child turns 18 years old. The account converts into an IRA at age 18.
- Created under the One Big Beautiful Bill Act in 2025 to promote early savings and financial literacy.
- The government has promised a $1,000 seed contribution for all children born between 2025 and 2028.
- These are a great planning tool for Roth IRA style assets for children prior to age 18.

Who Will Be Eligible?

- All U.S. citizens with a valid Social Security number under 18 years old are eligible for an account. Only minors born between January 1st, 2025 and December 31st, 2028 will receive a $1,000 seed payment from the government.
- Only one account is allowed per child.

What investment options are available?

- Funds must be invested in a **low-cost index fund** tracking the S&P 500 or another broad equity index.
  - No other investment choices are allowed.
- Funds must also be passive index funds.
- Fund expense ratios must fall below the 0.1% cap.
- Individual stocks, bonds, crypto, real estate, and sector funds are not allowed in Trump Accounts.
- On January 1st of the year the child turns 18, the restriction on holdings is lifted (no longer limited to US stock indexes).

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What are the rules on contributions?

- Contributions are limited to $5,000 per year, per account.
- Annual contribution limits are indexed to inflation and will increase over time.
- The $1,000 seed contribution in eligible accounts does ***not*** count toward the annual limit.
- Contributions from governments and charities also do ***not*** count toward the annual limit.
- An employer may contribute up to $2,500 per year, per employee, which may be split between multiple children. These contributions are excluded from the employee's taxable income.
- An employee can divert this pretax pay into a Trump Account. Those contributions count toward the annual limit.
- There is no tax deduction for contributions from family and friends.
- When a child turns age 18, they will need earned income to contribute.
- Older children may qualify for the Dell $250 contribution, based on earning less than $150,000 and living in certain zip codes. For more information, please scan the QR code[1] below:
- Under an IRS safe harbor, if certain requirements are met, contributions made by individual donors to Trump accounts in a given year will not be subject to gift tax reporting requirements for that year. For more information, please scan the QR code[2] below:

What are the rules on distributions?

- IRS rules allow distributions from a Trump Account on January 1st of the year the child turns age 18. Withdrawals prior to age 18 will be highly restricted:
    - Penalty-free exceptions include qualified higher education expenses, first-time home purchase (up to $10,000), birth or adoption expenses (up to $5,000), qualifying medical expenses, disability, or death.
    - Withdrawals will be taxed as ordinary income at the child's tax rate minus the portion attributable to after-tax contributions from family and friends made over the years.
    - Pre-tax contributions (employer, charitable, government) are fully taxable on withdrawal, including both principal and growth.
    - A 10% penalty applies to taxable amounts withdrawn before age 59½, unless an exception applies.
    - The parent will need to keep track of which contributions are pre-tax and after-tax to avoid double taxation, which results from pre-tax non-family member contributions.

How do I open a Trump Account?

- To open an account parents will need to file IRS Form 4547 online at trumpaccounts.gov.
- A QR code that will direct you to the website[3] is provided below. The process should take about 5 to 10 minutes:
    - You will need an ID.me account, your child's social security number, and your child's date of birth and address.
    - There is a Trump Accounts app that has launched. The app has financial literacy modules for children.
- Once IRS confirmation is received that their Trump Account is activated, parents can select any approved trustee to custody their assets. From there, they can choose eligible mutual funds or ETFs.
    - More information to come on approved custodians and account opening.
- There are no account minimums. You can open an account with $0.
- To apply for the $1,000 seed money, that individual must be able to claim the child as a dependent for purposes of the child tax credit.
    - If the child is NOT eligible for the $1,000 government contribution, then the account opener may be a parent, legal guardian, adult sibling, or grandparent.
- If the parent has not filed their tax return, Form 4547 can also be included with the return in lieu of the website, but only if the dependent is claimed on the 2025, 2026, 2027, 2028, etc. return as well. For current year newborn babies, parents need to go through trumpaccounts.gov.

Where can I find more information?

Please visit the IRS website[4] by scanning the QR Code to the right:

1. NPR, "Michael and Susan Dell commit $6.25 billion for investment accounts for kids", Updated December 2, 2025.
2. IRS, "Treasury, IRS provide safe harbor for certain contributions to Trump Accounts under the Working Families Tax Cuts", June 29, 2026.
3. trumpaccounts.gov (2026)
4. IRS, "Trump Accounts" (2026).

Disclosures:

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