



# Are Your Clients Asking You About Trump Accounts?

By Sandi Weaver, CPA, CFP, CFA

Trump Accounts went live on July 4. Some clients may want to take advantage of the \$1,000 “free” gift from the federal government for babies born 2025-2028. Others might want to open “teaching IRAs” for their kids; the child must be under age 18, but there’s no earned income requirement. Clients may be asking you soon for how-to details and your opinion. Here’s a FAQ on the basics.

**Who can open one?** The parent or a legal guardian, or if not available then adult siblings then grandparents, fills out IRS Form 4547. If they already have an account at the IRS, they can complete that online there. They can also download the app from *trumpaccounts.gov* and complete the form on their phone, or do it manually with a paper form. The parent will get an email, usually in a few days, to activate the account on *trumpaccount.com* where Robinhood is custodian. In the future, parents should be able to roll over their Trump Account to different institutions such as Fidelity, Vanguard, Schwab. Stay tuned!

**How is the account funded?** Parents can contribute \$5,000 per year by Dec. 31, with the contribution limit adjusted for inflation over time. Employers of the child or the parent can contribute \$2,500 of that annual \$5,000. Charities or governments can make “qualified general contributions” without limit. If your child is born between 2025-2028, the federal government kicks in \$1,000. Your clients don’t need to track cost basis; the account custodian does. Individual contributions are after-tax and build basis. Other contributions are pre-tax. Your clients will see a 5498-TA every year detailing contributions.

**How do parents or legal guardians invest the money?** Investment options are limited to a sole handful of inexpensive U.S. equity index funds.

**How do clients add a beneficiary?** They don’t. If the child dies before 18, the account is taxable in the child’s estate.

However, clients can set up a “trusted contact” similar to those now at many financial institutions. Trusted contacts are tapped if the custodian (Robinhood) cannot reach a parent or suspects fraud.

**Beyond the free \$1,000 why should a client do this?** The funds grow tax deferred. There’s no earned income requirement as with an IRA. At age 18, the child:

- Gets control;
- Is responsible for investment choices;
- Rolls the account over to an IRA;
- Can convert to (and pay tax on) a Roth;
- Can withdraw funds (and pay tax);
- Needs to shift cost basis tracking over to Form 8606; and
- Should set up the beneficiaries.

If they withdraw, they pay tax pro rata based on the account’s cost basis. If their tax rate is low, converting some to a Roth and paying tax may be advantageous if the unearned income stays on their tax return and does not slide to the parents’ return.

**Are these a good deal? Or just another account for parents to track?** Children already have 529 accounts and UTMA/UGMA custodial accounts. College savings 529 accounts have tax-deferred growth, and if used for qualified expenses (college, apprenticeships, graduate school, some K-12) the withdrawals are never taxed. These allow \$35,000 to roll over to a Roth. That beats the Trump account for those types of expenses.

UGMA and UTMA accounts are taxable accounts usually with the parents as custodians until the child is 18 or 21. Income is taxed to the child but can land on the parents’ return due to the Kiddie Tax. The Kiddie Tax allows a low/no tax rate on \$2,700 of unearned income in 2026



for the child. A \$200,000 investment in Vanguard’s S&P 500 ETF would generate income lower than that. An UTMA offers more flexibility and fewer rules than a Trump account; your client may view that as a curse or a blessing. When modeling investment growth on a Trump account versus an UTMA, the after-tax values can be close.



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