Trump Accounts: Key Considerations for Families

Trump Accounts are investment accounts designed to help families save and invest for a child's future. The Treasury Department has completed automatic enrollment for all eligible children, shifting the priorities for many families from opening an account to claiming and managing an existing account.

IN BRIEF

- **Automatic enrollment:** Eligible children under age 18 with a valid Social Security number were automatically enrolled in a Trump Account as of October 1, 2026.
- **Claiming the account:** A parent or guardian must claim the child's account to manage it and, if eligible, receive the one-time $1,000 Treasury contribution. Claiming also enables contributions from family members, friends, and employers.
- **Additional funding opportunities:** Qualified donors may contribute to groups of eligible children through the Treasury's program. These contributions may include cash or eligible publicly traded stock.

Key Details

Eligibility

The Treasury has announced that every eligible child under age 18 with a valid Social Security number now has a Trump Account ready to be claimed. Only one account can be claimed for each child.

Annual Contribution Limit

The annual contribution limit is up to $5,000 per account in 2026, with future cost-of-living adjustments. Certain qualified general contributions may be treated separately.

Government Seed Contribution

Children born from January 1, 2025 through December 31, 2028 may qualify for a one-time $1,000 Treasury contribution. This federal contribution does not count toward the $5,000 annual limit. The account must be claimed for an eligible child to receive the seed contribution.

Who Can Contribute

Family Members and Friends

Once the account is claimed, family members and friends may contribute up to the annual limit. Currently, contributions are made with after tax dollars. These contributions will not be taxed again upon withdrawal. The child is not required to have earned income for these contributions.

Employers

Employers may contribute on behalf of employees to their beneficiary's accounts. Employer contribution limits for 2026 are $2,500 per account, which is counted towards the annual limit.

This material should be used as helpful hints only. Each person's situation is different. You should consult your investment professional or other relevant professional before making any decisions.

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Charitable Organizations and Local Governments

In addition to contributions from family members, friends, and employers, the Treasury's rules allow certain organizations, businesses, and philanthropic donors to make contributions for groups of eligible children. These contributions may be directed to beneficiaries within specific states or Treasury-designated geographic areas.

Some of these contributions may be made using eligible publicly traded stock as well as cash. Unlike a family member contributing directly to a child's account, these stock contributions are made through Treasury's funding program and are allocated to eligible beneficiaries who meet the program's criteria.

Qualified stock contributions may be subject to special holding requirements. If the stock is delisted, involved in certain corporate transactions, or no longer qualifies under program rules, the account trustee may be required to sell and reinvest the assets and notify the beneficiary.

How It Works

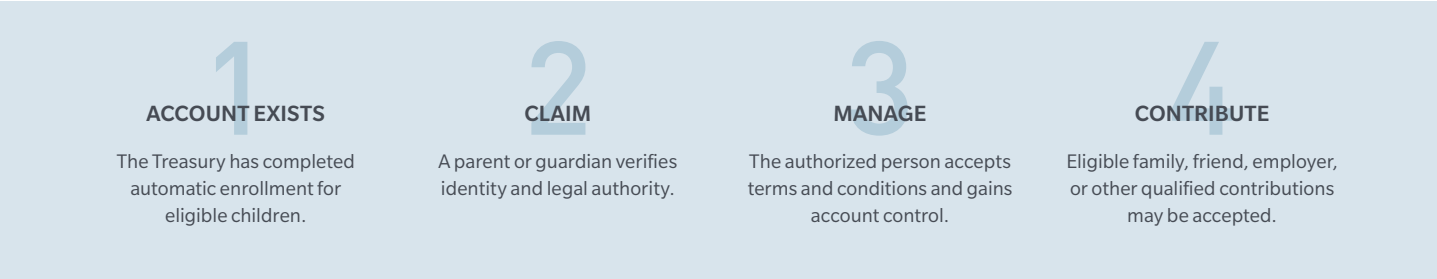
Claiming an Automatically Enrolled Account

A parent or guardian must claim a child's automatically enrolled account before managing the account or enabling contributions. The Treasury has outlined that the claiming process includes: identity verification, verification of the adult's relationship to or legal authority over the child, a review of the child's information, and acceptance of account terms.

The Treasury recommends that parents and guardians use the official Trump Accounts app, available for iOS and Android, and to visit TrumpAccounts.gov for current information.

Auto Accounts and Administration

The proposed regulations describe automatically established accounts as "auto accounts." Assets attributable to auto accounts may be invested collectively through a master group trust, while records identify the assets attributable to each individual account.



Investment Options

Eligible mutual funds and exchange-traded funds that generally track the S&P 500 or another qualifying equity index, invest at least 90% of assets in US companies, and carry an expense ratio of 0.10% or less.

Growth Period and Withdrawals

During the growth period, distributions are generally prohibited. Beginning January 1 of the year the beneficiary turns age 18, account ownership transfers from the parent or legal guardian to the beneficiary.

Distributions are governed by the traditional IRA framework and may qualify for exceptions to the additional 10% penalty in circumstances such as the funds being used for higher education, a qualifying first-home purchase, a birth or adoption, or certain medical expenses. A qualified distribution would be subject to taxation at the ordinary income rate.

ABLE Account Rollovers

A qualified ABLE rollover contribution must be a direct trustee-to-trustee transfer to an ABLE account for the same beneficiary, occur during the calendar year the beneficiary turns 17, and equal the entire Trump Account balance. The Treasury has requested comments on how this process should operate for unclaimed auto accounts, so administrative procedures may change.

Options at Age 18

Trump Accounts do not automatically convert into another IRA account and may require additional action.

Maintain the Trump Account

The account may continue to be managed under applicable IRA rules. While generally aligned with traditional IRA guidelines, it may remain a distinct account type. Trump Accounts are not aggregated with other IRAs when determining the taxable portion of a withdrawal.

Roll Over or Convert

A Trump Account does not automatically convert into a traditional IRA. Action may be required to complete a rollover to a traditional IRA or a conversion to a Roth IRA.

Tax Considerations

Trump Accounts generally follow the federal tax framework applicable to traditional IRAs, subject to special rules. Tax treatment may depend on the source of contributions, investment earnings, the beneficiary's age, and the reason for a distribution. Individual contributions may also have federal gift-tax implications.

The "kiddie tax" rule could apply to a child's unearned income — such as interest, dividends, and certain withdrawals from pre-tax funded accounts (but not wages) — and may result in income being taxed at the parent's tax rate instead of the child's rate.

What a Long-Term Investment Could Look Like

The following hypothetical illustration shows how the $1,000 government contribution and additional annual family contributions could accumulate over time.

ILLUSTRATION ASSUMPTIONS

- A child born in 2026 receives the $1,000 government seed contribution.
- The family contributes either $0, $1,000, or $5,000 initially and annually through the year the child turns 17.
- The account earns a hypothetical 7.0% annual return and remains invested through age 62.

SCENARIO	GOVERNMENT SEED	ANNUAL CONTRIBUTIONS	ILLUSTRATIVE VALUE AT 62
$1,000 contribution only	$1,000	$0 annually	$66,343
$1,000 annual family investment	$1,000	$1,000 annually	$780,406
$5,000 annual family investment	$1,000	$5,000 annually	$3,636,658

Source: MFS Calculations

Assumes 2026 government contribution of $1,000 and parental contribution of $0, $1,000, or $5,000 for child born in 2026, followed by annual parental contributions of $0, $1,000 or $5,000 through the year the child turns 17. Assumes investment growth of 7.0%. **These hypothetical examples are for illustrative purposes only and are not intended to predict the returns of any investment choices. Rates of return will vary over time, particularly for long-term investments. There is no guarantee the selected rate of return can be achieved. Any investments may have fees and expenses that are not taken into account, which would lower the performance. Regular investing does not ensure a profit or protect against loss in declining markets.**

Comparing Account Types

The following high-level comparison is intended to help families frame a discussion with their financial and tax professionals. Rules and tax treatment vary by account and individual circumstances.

FEATURE	TRUMP ACCOUNT	529 PLAN	CUSTODIAL ROTH IRA	UTMA/UGMA
Purpose	Long-term savings	Education savings	Retirement savings	General savings for child
Earned income required?	No	No	Yes	No
Automatic enrollment	Yes, for eligible children	No	No	No
Family contributions	Yes, subject to rules	Yes	Limited by earned income	Yes
Tax treatment	IRA-based rules with special provisions	Tax-advantaged for qualified education	Tax-advantaged for qualified withdrawals	Generally taxable
Investment choices	Program-limited eligible investments	Plan menu	Broad investment choices	Broad investment choices
Primary access rules	Growth-period restrictions; IRA rules after 18	Education-focused	Retirement-focused	For child's benefit

Questions to Discuss with Your Advisor or Investment Professional

- How can I check if my child's automatically enrolled account has been claimed?
- Is my child eligible for the one-time $1,000 Treasury seed contribution?
- How should Trump Account contributions be coordinated with 529 plans, custodial accounts, and family gifting?
- What tax treatment could apply to future distributions, rollovers, or conversions?
- How do the available investments fit the family's time horizon and risk tolerance?

Sources

TrumpAccounts.gov.

Department of the Treasury and Internal Revenue Service, "Trump Accounts," proposed regulations, Federal Register document 2026-20027, published September 30, 2026.

Trump Account and other savings account rules are subject to change. Please consult a tax professional before opening accounts.

Keep in mind that no investment strategy, including allocate, diversify and rebalance, can guarantee a profit or protect against a loss. Also, all investments, including mutual funds, carry a certain amount of risk, including the possible loss of the principal amount invested.

The investments you choose should correspond to your financial needs, goals, and risk tolerance. For assistance in determining your financial situation, consult an investment professional.

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