



WHAT ARE THE NEW “TRUMP ACCOUNTS”?

The 2025 Tax Act created “Trump Accounts” which are individual savings accounts created for children who are under the age of 18. The accounts may be funded with up to \$5,000 annually, indexed for inflation, until the child attains the age of 18. A parent or other individual may contribute the full \$5,000 while contributions from an employer are limited to \$2,500 but still count toward the \$5,000 annual maximum. In addition, all children born in the U.S. between 2025 and 2028 will automatically receive \$1,000 from the U.S. Government for their account. If the contributor is a parent or other individual, the contributions are not exempt from gift tax unless the contribution qualifies for the annual exclusion (currently \$19,000 per individual and \$38,000 per couple) or utilizes a portion of the contributor’s available gift tax exemption. Until the account holder turns 18, the account assets must be invested in a US equity index fund or similarly invested portfolio, and no distributions may be made from the account.

In the year that the account holder turns 18, the account will convert to a traditional IRA. The assets in the Trump Account will grow on a tax-deferred basis and distributions will be income taxable in the same manner as a traditional IRA - contributions from parents and other individuals will not be taxable income but investment income and contributions from other sources, such as employers, will be taxed as ordinary income upon withdrawal. Like traditional IRAs, early withdrawals before age 59 ½ may incur a 10% penalty unless used for specific purposes such as the purchase of a first home or payment of qualified medical or educational expenses.