

**WILEY BROS.
AINTREE CAPITAL
& PARTNERS, LLC**
40 BURTON HILLS BOULEVARD

NASHVILLE, TENNESSEE 37215

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Trump Accounts: An Overview

You may recall that I included a brief update on Trump Accounts in my last newsletter, and that my family will likely set one up for our granddaughter, Piper, who was born last August. Additional information continues to be released, and I thought another update might be helpful. You may be wondering, what are they exactly? Who and what are they meant for? And are they right for you and your family?

First announced as part of the *One Big Beautiful Bill Act* that went into law last year, Trump Accounts officially launch on July 4, 2026. And while there are still some details that have not yet been clarified, we now know enough about them to answer the questions I mentioned above.

Let's start with what Trump Accounts actually are.

A Trump Account (TA) is a type of tax-advantaged investment account designed specifically for children. Their purpose is to help families begin saving money for a child's future, with the funds inside the account available once the child reaches adulthood.

A Trump Account can be opened for any child who is both a U.S. citizen and a minor when the account opens. (The parent who opens the account must also have a U.S. social security number.) Parents can contribute up to \$5,000 each year, and family members may also participate. Even employers can contribute to a TA, up to \$2,500 per year. (It's important to note that these contributions count towards the \$5,000 annual limit.)¹

Once the TA is established, the funds inside can be invested solely in index funds — there are no other investment options available. All growth is tax-free; however, withdrawals are not permitted until the child turns eighteen. After that, a Trump Account essentially operates like an Individual Retirement Account, or IRA.¹ Additional contributions remain tax-deferred, while distributions are taxed as income. Furthermore, as with an IRA, withdrawals made before the age of 59½ are subject to an additional 10% penalty. (Exceptions include if the withdrawal is for a first-time home purchase, certain medical expenses, or specific educational expenses.)

With all that in mind, you may be wondering: Why open a Trump Account at all? Why not just open an IRA for my child?

The main benefit to opening a Trump Account is that **the government will provide an initial contribution of \$1,000 to any child born on or between January 1st, 2025 and December 31, 2028.**¹ This money is tax free and does *not* count toward the \$5,000 annual contribution limit. The prospect of free money should never be sniffed at, so parents, grandparents, and guardians who want to help the next generation get a leg up on the future should definitely consider Trump Accounts for this reason.

That said, Trump Accounts are *not* necessarily something every parent should open, either. There are many ways to help your child or grandchild save for the future, and depending on your situation and specific goals, there may be better options.

For example, if you do *not* have a child born between 1/1/2025 and 12/31/28, then the single largest benefit to opening a TA goes away.

If your goal is to save specifically for a child's education, a 529 Plan is probably a better bet, as it comes with much higher contribution limits and more investment options. Additionally, all withdrawals from a 529 Plan are tax-free so long as they are used to cover qualified educational expenses. (You also can make withdrawals from a 529 before the age of 18, which is important if your child/grandchild graduates from high school early or takes concurrent enrollment.)

If you want to help a teenaged child/grandchild who already has a job begin saving for retirement, a custodial Roth IRA may be your best bet. These come with higher contribution limits, and while contributions are taxed, growth and distributions after retirement are tax-free.

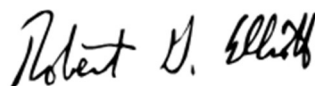
If you want to help a child save for the future, but value having as much flexibility as possible, you may want to consider a UTMA. (This initialism stands for "Uniform Transfer to Minors Act.") A UTMA comes with no contribution limits and can hold a variety of assets, including real estate, valuable items, and more. While the tax advantages aren't quite as strong, the money in a UTMA can be used however the child wants once they reach adulthood.

So, in a nutshell:

- Trump Accounts become available on July 4, 2026
- For children born on or between 1/1/2025 and 12/31/2028, the government will kick in \$1,000 to each Trump Account.
- Families can contribute up to \$5,000 per year to a Trump Account. Contributions are tax-deferred. Withdrawals are not allowed until age 18, come with a 10% penalty until age 59½, and are taxed as income.

As you can see, Trump Accounts are an interesting and potentially powerful tool to add to your estate planning toolbox. However, they may not be right for everyone. So, if you have any questions about opening one or more Trump Accounts for *your* family, let's talk first. I can help you review your options to determine the single best one for you.

Sincerely,



Robert G. Elliott, CFP, MS
Vice President



Sarah L. Emmerick, CFP, MS
Financial Advisor

¹ "Treasury, IRS issue guidance on Trump Accounts," *Internal Revenue Service*, <https://www.irs.gov/newsroom/treasury-irs-issue-guidance-on-trump-accounts-established-under-the-working-families-tax-cuts-notice-announces-upcoming-regulations>