

Publications

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Trump Accounts – Jump-Starting the Next Generation

Key Takeaways:

- **A new tax-favored savings vehicle for individuals under the age of 18 is now available.**
- **Employers wishing to offer this benefit must adopt the appropriate plan documents before making contributions to the accounts on behalf of their employees and/or their dependents.**

The One Big Beautiful Bill Act enacted Code §530A, which creates a tax-favored savings vehicle known as the “Trump Account.” The Internal Revenue Service (IRS) recently released Notice 2025-68, which provides some guidance with respect to Trump Accounts and announces their intent to issue regulations implementing Code §530A. The new rules apply to taxable years beginning after Dec. 31, 2025, with contributions permitted beginning July 4, 2026.

What Is a Trump Account and Who is Eligible?

A Trump Account is a savings account that may be established for the exclusive benefit of an individual under the age of 18 (the beneficiary). Although Trump Accounts are treated as a traditional individual retirement account (IRA) in many ways, they are subject to a distinct statutory framework with special restrictions during the beneficiary’s childhood.

A beneficiary of a Trump Account must:

- Be under the age of 18 in the year the account is established; and
- Have a valid Social Security number.

Pilot Program \$1,000 Contribution by U.S. Treasury

As part of the Trump Account initiative, the government is establishing a pilot program under which it will make a one-time contribution of \$1,000 to the Trump Account of an eligible beneficiary. An eligible beneficiary for the pilot program contribution is an individual who is born between Jan. 1, 2025 and Dec. 31, 2028, is a U.S. citizen and is otherwise eligible for a Trump Account (see above for other eligibility requirements). The

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\$1,000 contribution will be paid from the U.S. Treasury and must be specifically elected by the individual setting up the Trump Account.

Who Can Establish a Trump Account?

A Trump Account may only be established by an authorized individual, which is defined as the child's 1) legal guardian, 2) parent, 3) adult sibling or 4) grandparent, in that order. In the event the authorized individual is both establishing the Trump Account and making an election to receive the pilot program contribution, an authorized individual is someone who anticipates that the child will be his or her qualifying child for the tax year in which the election is made.

An election to receive a pilot program contribution of \$1,000 may be made at the same time as the election to open the account. Both the initial election and the pilot program election can be made on Form 4547 (available [here](#)) or through an online tool or application (which is anticipated to be released in the middle of 2026).

How Do Trump Accounts Work?

Once established, annual contributions can be made to the Trump Account on behalf of the beneficiary until the child is age 18. Unlike the restrictions on contributions to a traditional IRA, contributions can be made on behalf of an individual who has no earned income during the growth period.

A Trump Account can be designed to automatically convert to a traditional IRA after the beneficiary turns age 18.

The annual contribution limit is \$5,000 (subject to a cost-of-living adjustment (COLA) beginning in 2027). Contributions can be made from the following sources:

- The \$1,000 government pilot program contribution for eligible beneficiaries, described above;
- Qualified general contributions funded by state governments or quasi- governmental subdivisions or 501(c)(3) organizations;
- Employer contributions (capped at \$2,500 per employee per year); and
- Family or third-party contributions.

The Treasury Department will select one or more financial institutions to serve as the trustee for the initial Trump Accounts. A parent/guardian can move financial institutions, select the trustee and choose from eligible investments by creating a second Trump Account (called a rollover Trump Account) and initiating a trustee-to-trustee transfer of the entire account balance from the individual's existing Trump Account.

No distributions are permitted before the beneficiary turns 18. After the beneficiary turns 18, the account generally follows traditional IRA distribution rules, including penalty exceptions for higher education expenses and first-time home purchases.

How Should Employers Prepare for Trump Accounts?

Formal written documentation must be in place before an employer can make contributions to Trump Accounts on behalf of its employees and/or their dependents. An employer can adopt a Trump Account contribution program document or add a Trump Account feature to an existing Code §125 cafeteria plan.

The plan document requirements have not yet been established, but the requirements are expected to be similar to the requirements for a dependent care assistance program. The

IRS is expected to release a sample program document.

If the Trump Account feature is added to an existing Code §125 cafeteria plan, the employer can only make contributions on behalf of an employee's dependents, not on behalf of the employee.

What's Next?

Treasury and the IRS have requested public comments on a range of operational and compliance issues, including investment definitions, the order of who is authorized to establish an account, trustee requirements, reporting mechanics and employer contribution programs. Comments are due **Feb. 20, 2026**, and proposed regulations are expected.

Please contact Cory Thomas, Sarah Bhagwandin, April Fortner or another member of Polsinelli's Employee Benefits & Executive Compensation team if you have questions about Trump Accounts.