BULL & BEAR *Bulletin*

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Trump Accounts

The government has a history of inventing different types of accounts for individuals to save and invest money in tax advantaged ways, such as IRAs, Roth IRAs, 401Ks, 403(b) plans, 457(b) plans, Coverdale Education IRAs, HSAs, and 529 plans to name a few. Instead of unifying and simplifying the tax code the government has created another vehicle aimed at building wealth for a new generation of Americans known as Trump accounts.

Trump accounts officially launched on July 6th, 2026, as a creation of the Big Beautiful Bill signed into law on July 4th, 2025. Every child born between January 1, 2025, through December 31, 2028, qualifies for a one-time contribution from the federal government of $1,000 if they have a valid social security number and are citizens of the United States. Also allowed under these accounts are individual contributions of $5,000 per year and $2,500 contributions from employers. The accounts are open to anyone under the age of eighteen who are U.S. citizens, but only those born between the above dates get the free government contribution. In effect, the accounts are IRAs targeted toward children, which allow parents to make contributions that grow in a tax advantaged manner. This is different than previously existing legislation that created IRA For Minors because those accounts required that the children needed taxable income from a job to be eligible for contributions. Trump accounts do not have such a requirement.

Investments into such accounts must be in index mutual funds or ETFs that track a broad U.S. benchmark such as the S&P 500. Also, funds can not be withdrawn until the child turns 18. Gains taken out of such accounts will be taxed at income tax rates plus a 10% penalty rate if done before the age of 59 1/2. If the funds are used for educational purposes or to buy a first home the 10% penalty rate is waived. No funds may be withdrawn until January 1st of the year when the child turns eighteen years of age. These accounts must be established by an adult who can claim the child as a dependent on income taxes. The accounts can be established via form 4547 with your income tax or via trumpaccounts.gov. The individual establishing the account will need to set up an ID.me account, which is the verification service the IRS uses. The accounts are administered with the Treasury department and whatever vendors they contract with. Aside from the free $1,000 for those born between 2025 and 2028 it can be argued how valuable these accounts would be. If one wanted to save for college education a 529 plan would offer more investment options, flexibility, and higher contribution limits. If someone wanted to save money for a child's retirement because of the value of compounding investment returns, a Roth IRA for minors would be superior because the gains would be tax-free when withdrawn, but this requires the minor to have earned income. The only clear benefit aside from the free $1,000 would be for saving for a child's retirement for a minor too young to have a part-time job.