WELLS FARGO Wealth & Investment Management

Trump Accounts for children

New investment accounts for children

As part of the One Big Beautiful Bill Act, Congress created a new, custodial-style Traditional Individual Retirement Account (IRA) for children, set to be made available by the Treasury Department on July 4, 2026. Known under the Act as "Trump Accounts," these accounts have unique eligibility, contribution, investment, and distribution rules that apply while the child is under age 18, at which point Traditional IRA rules apply. The information here is intended to provide awareness by summarizing current guidance, key features, and considerations.

A Trump Account is a new, government supported investment account created for children under age 18 and designated as a Trump Account at the time of account opening. It is structured as a special type of custodial-style Traditional IRA designed to help families start saving and investing early for a child's future. The child is the owner of the assets, while an adult is authorized to act on the account. During the child's early years, a Trump Account has special rules that differ from Traditional IRAs. Once the child becomes an adult, it generally functions like a Traditional IRA. The Treasury Department will open and administer all initial Trump Accounts through the Treasury application supported by the primary trustee firm. Over time, rollovers may be made to secondary trustee firms that offer a Trump Account.

Who is eligible for a Trump Account?

A Trump Account can be opened for any child who is:

- Under the age of 18 at the end of the year the account is elected, and
- A U.S. citizen with a valid Social Security number.

There are no income limitations or phase-out ranges like Traditional IRAs. However, each child is only permitted to have one funded Trump Account.

Who can elect/open a Trump Account?

A legal guardian, parent, adult sibling, or grandparent (referred to as the authorized individual and responsible party) opens the Trump Account for the eligible child by making an official election with the IRS. There are rules governing the priority for individuals authorized to open the accounts, which must be followed. Keep in mind, the child is the account owner/beneficiary, even though the adult manages the account while the child is a minor.

The official election can be made by filing IRS Form 4547 (Trump Account Election) or through the government website TrumpAccounts.gov.

Once the election is made, the account is set to be opened with the government's primary trustee for Trump Accounts. The initial date that new Trump Accounts may be opened is July 4, 2026.

What financial institutions can custody Trump Accounts?

All Trump Accounts are established initially by the Treasury Department upon the filing of the election by the authorized individual at the primary trustee. After the initial account is established, the responsible party on the account will eventually be able to move the Trump Account to a rollover Trump Account at a secondary trustee. Keep in mind, only one funded Trump Account is permitted, so all the funds must transfer from one custodian to the next custodian.

Who can contribute to a Trump Account?

Contributions can come from multiple sources including individuals, employers, and charitable organizations — with each source having its own rules and tax treatment.

How much can you contribute to a Trump Account?

Contributions are limited to a total of $5,000 per child per year (except that the government seed and qualified general contributions do not apply to the annual limit).

- **Government seed contribution (Pilot Program):** Upon election by an eligible individual, the Treasury Department will make a one-time $1,000 contribution for eligible children born between 1/1/2025 and 12/31/2028.
- **Individual contributions:** Any adult may contribute up to $5,000 per child per year (indexed for inflation) using after-tax funds in years before the year when the child turns 18.
- **Employer contributions:** A parent's employer may, on a pre-tax basis, contribute up to $2,500 per year per employee (indexed for inflation). This $2,500 would also count for the $5,000 total limit.
- **Charitable contributions:** States, local governments, and 501(c)(3) charities may contribute to a Trump Account, under the category of qualified general contributions. This category is not restricted to a contribution limit; however, the donor will file an application with the government outlining the total amount of the contribution and the qualified class (criteria to allocate the contribution).

What are the investment choices for Trump Accounts?

Trump Accounts have investment restrictions. Eligible investments in Trump Accounts are limited to Mutual Funds or Exchange Traded Funds (ETFs) that meet all of the following criteria:

- Investments made up of at least 90% U.S. equities (e.g., the S&P 500 index)
- Expense ratios at or below 0.1%
- Funds that are not leveraged

When are distributions allowed from a Trump Account?

In most cases, distributions will not be allowed from Trump Accounts until the child reaches the age of 18. This is to support the concept of long-term investing, not short-term spending.

What happens to Trump Accounts when the child turns age 18?

At the end of the Trump Account lifecycle (the year the account owner turns age 18):

- The Trump Account transitions to Traditional IRA rules.
- The account belongs to the now-adult beneficiary.
- Future withdrawals follow standard Traditional IRA tax rules.

IMPORTANT NOTE: Further regulatory guidance is needed to determine how Trump Accounts will transition to Traditional IRAs. You may need to take action to rollover or convert the account. As more guidance is released, the Frequently Asked Questions (FAQs) will be revised.

Why would families consider a Trump Account?

Trump Accounts offer tax-deferred growth on the contributions. Unlike IRA contributions, there is no earned income requirement. The long-term investment horizon and low-cost options could allow for great growth potential. The various sources of funding may mean passing up on free money by not opening an account. This free money not only includes the seed contributions from the federal government, but also employer contributions and charitable contributions available for account holders that may not be eligible for seed contributions. Families should consult with a tax or financial advisor to learn more about how this new account could support their education, retirement, and tax strategies.

Where can I learn more about Trump Accounts?

Visit the official government website: TrumpAccounts.gov.