



## **IS A TRUMP ACCOUNT RIGHT FOR YOU AND YOUR CHILDREN**

By: Marc J. Soss, Esquire

President Trump's signing of the "One Big Beautiful Bill" (the "Law") contained a major benefit for children born between January 1, 2025, and December 31, 2028, with a valid Social Security number and at least one parent with a valid Social Security number. The Law creates a new type of tax-deferred account known as "Trump Accounts." These accounts are essentially a traditional IRA. The concept was not new as Hillary Clinton brought up the idea during her 2007 campaign,

and Democratic Senator Corey Booker proposed legislation offering up to \$50,000 for newborns in 2021.

### **Contributions:**

Eligible children will receive an initial \$1,000 seed payment directly from the US Treasury. There are no income limits for families to receive the \$1,000. Account contributions are not tax deductible, and distributions are generally taxed under the normal rules for traditional IRA distributions. Contributions can be made to an account by anyone up to \$5,000 per child each year, beginning 12 months after enactment of the Act and until the child turns age 18. After age 18, the yearly contribution limit is expected to increase to \$7,000 in keeping with traditional IRA rules.

Employers may contribute up to \$2,500 to their employees' Trump Accounts, with such contributions excluded from employee income. The contribution limit will be indexed for inflation starting in 2027.

### **Child Access To The Account:**

Children will only be able to access the money once they turn age 18. There is a 10% penalty for withdrawing money prior to age 59 ½, with exceptions. Funds can be withdrawn penalty-free for higher education expenses, or for those that come as a result of disability, domestic abuse or a natural disaster. There is also a \$10,000 exception for new home purchases, and \$5,000 can go toward a baby of their own.

### **Account Creation:**

The Law allows parents to establish the accounts at the bank or financial institution of their choice. The Treasury Department will set up accounts for children whose parents don't elect to do so.

### **Alternative Options:**

A 529 plan may be a better option if your goal is to set aside funds for a child's education. A 529 plan will permit tax free account withdrawals for a qualified education expense. A 529 plan applies to college tuition, trade school and apprenticeship expenses, and up to \$10,000 for K-12 tuition

and student loan payments. 529 accounts that have been open at least 15 years, can also roll over up to \$35,000 in unused funds to a Roth IRA and the ability to change the beneficiary.

Single filers can contribute up to \$19,000 per beneficiary per year without incurring gift tax. Married couples filing jointly can contribute up to \$38,000

If your goal is to invest for the long-term or retirement a Roth IRA may provide more favorable tax treatment and flexibility. Roth IRAs are funded with after-tax dollars and account investments grow tax-free. In addition, if the child waits until age 59½ to begin account withdrawals they will be tax free.

Annual Roth IRA account contributions cannot exceed \$7,000 for individuals under age 50. Amounts contributed to a Roth IRA can be withdrawn tax and penalty free.

*Marc Soss' practice focuses on estate planning, probate and trust administration, and corporate law in Sarasota and Lakewood Ranch, Florida. Marc is a nationally published author including in Leimberg, Florida Bar, Rhode Island Bar, North Carolina Bar, Association of the United States Navy and Military.Com. Marc is a retired United States Navy Supply Corps Officer.*