RYNKAR VAIL & BARRETT LLP
CERTIFIED PUBLIC ACCOUNTANTS | TAX & ADVISORY SERVICES

TRUMP ACCOUNTS

September 2026

By:
William A. Barrett, CPA

TRUMP ACCOUNTS

It is now possible to open a retirement account for a child under the age of 18 years old on December 31, 2026. This new retirement plan is called a TRUMP ACCOUNT.

Who is Eligible?

In order to be eligible for a Trump Account, the child must be a United States citizen, have a social security number and be 17 years old or younger on December 31 once an election to open a Trump Account is made.

How to Make the Election?

To open a Trump Account, one must make the election by completing IRS Form 4547 or use the online portal on the official Trump Accounts App/Website (trumpaccounts.gov).

Only an authorized individual can make the election to open a Trump Account for the child. The following is the order an Authorized individual can make the election to open a Trump Account. The order is first, the child's legal guardian. If there is no legal guardian, the parent is the next in line to open the account, If there is no legal guardian or parent then an adult sibling can make the election to open the account. If the child has none of the above, then the grandparent can open the account. The child will only have one Trump Account. The individual making the election to open the account must represent under penalty of perjury that no other person with higher priority is available to make the election.

What is a Pilot Contribution?

For a child born after December 31, 2024 and before January 1, 2029, the government will open the Trump Account and make a one time $1,000 contribution. This contribution is known as a pilot contribution.

What is the Annual Cap on Contributions:

The sum of all annual contributions in a calendar year to a Trump Account made by parents, siblings, grandparents or legal guardians must not exceed $5,000. There is a 6% annual penalty on any annual contributions more than the $5,000 contribution cap. If the excess contribution is removed immediately, the 6% penalty is waived. These contributions are not tax deductible but gives the child basis.

How are Withdrawals Taxed:

The earnings on the contributions will be taxed once distributed from the Trump Account but the contribution amount when distributed will not be taxed. The $1,000 government pilot contribution will be taxed once withdrawn but does not count towards the $5,000 annual contribution cap. Any distributions from a Trump Account will result in the earnings being taxed as ordinary income, but like an IRA, if the distribution occurs before the Trump Account owner is 59.50 years old, the earnings is also subject to a 10% penalty.

Example of Taxation of Withdrawal:

The Trump Account functions much like an IRA. The contribution to the Trump Account is not deductible to the donor but the earnings on the contribution is not taxed until there is a distribution from the account. How does one determine the amount to be taxed? Suppose a Trump Account is worth $100,000 and it consists of $50,000 of contributions, $49,000 in earnings and $1,000 from the government's pilot contribution. If $20,000 is distributed from the account, $10,000 would be taxable and $10,000 would be a return from contributions since 50% of the account is from nondeductible contributions and 50% is untaxed earnings.

What Can You Invest In?:

What is an eligible investment from contributions to a Trump Account? The funds can be invested in indexes (S&P 500) that consists of mostly of United States companies or mutual funds or exchange-traded funds. The investments cannot be in individual stocks. Finally, the fund fees must be less than or equal to 0.10%.

Change in Account Ownership at 18

The authorized individual that elected to open the account manages the account making investment decisions but once the child is 18 years old, the child owns the account and has 100% authority over the account. This is a significant disadvantage as it is possible the Trump Account would be worth $100,000 and the 18 year old decides to take all the funds. Generally, no withdrawals are allowed from a Trump Account until the child is 18 years old.

Employer Contributions to Trump Accounts

Employers can contribute up to $2,500 annually to an existing Trump Account. Whatever is contributed by the employer counts toward the $5,000 annual cap. The employer can only make contributions in accordance with a written plan. The employer must communicate in writing the plan to all employees and all employees are eligible to receive an employer contribution. The employee would reduce tax free, their earnings by the amount of the contribution and social security and Medicare taxes would also be reduced accordingly.

Similarities & Differences in Comparison with an IRA

The TRUMP Account is very similar to an IRA. However, unlike an IRA, the Trump Account does not require earned income for a contribution. The child could have a sizeable amount of money on their 18th birthday and a responsible child could have over 40 years of tax deferred growth at retirement along with other qualified plans (401K) the child contributed to during their working career.

If a child is born on 1/1/2027 and every year on July 1, $5,000 is contributed to the Trump account for 18 years at a 4% average interest or growth rate, the child’s Trump Account would be worth $128,800! Hopefully, the child is responsible and will maintain their Trump account until retirement.

Should you have any additional questions on Trump Accounts, please call our Jericho office at 516-747-0110.