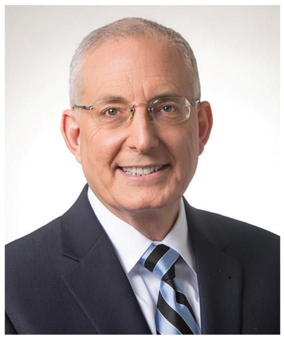

ED SLOTT'S IRA ADVISOR

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Tax & Estate Planning for Your Retirement Savings

Accounting for Trump Accounts

One of the most talked-about provisions of the One Big Beautiful Bill Act (OBBBA), signed into law on July 4, 2025, is a new savings vehicle for children called "Trump accounts." These accounts are unusual. They are considered traditional (non-Roth) IRAs. However, until the year the child turns age 18, they are subject to special rules that normally do not apply to traditional IRAs. Starting in the year the child turns age 18, Trump accounts become subject to the normal traditional IRA rules.

The easiest way to understand Trump accounts is to break down the four types of contributions that can be made to them. Three of these contributions are available before the year the child turns age 18, and the other can be made on or after the age-18 year.

Types of Trump Account Contributions

Trump accounts are unique in that they allow several different types of contributions. These include:

Federal Government Contributions for Newborns: A one-time $1,000 contribution from the Federal government will be made to a Trump account for any child born between January 1, 2025, and December 31, 2028, who is a citizen and has a Social Security number. However, no contribution will be made before July 4, 2026 — *even for children born in 2025 and earlier in 2026.* This will presumably give the Treasury Department time to issue rules for how parents can elect this contribution and how accounts will be established. Note that OBBBA refers to this contribution as a "pilot program," which suggests that it may be extended beyond the initial 2025-2028 period.

Private Contributions: A parent (or any other person) can contribute to a Trump account on behalf of any child with a Social Security number in any calendar year ***before*** the year the child turns age 18. Importantly, these contributions can be made even for children who ***do not*** qualify for the $1,000 Federal government contribution (i.e., even if the child is born before 2025 or after 2028).

Total annual private contributions on behalf of one child *from all individuals* cannot exceed $5,000, indexed for inflation starting in 2028. This is lower than the normal annual limit on traditional (and Roth) IRA contributions (in 2025, $7,000, and $8,000 for those age 50 or older). Contributions for a particular year must be made by December 31 of that year (i.e., prior-year contributions are not allowed). No contribution is allowed before July 4, 2026. OBBBA does not indicate that the $5,000 limit will be pro-rated in 2026.