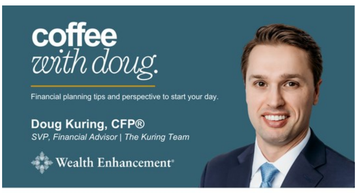
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Trump Accounts: Is The Juice Worth The Squeeze?

Hi {Firstname},

You may have seen the headlines about Trump Accounts—the new child savings accounts created under recently passed tax legislation. As is often the case with new planning tools, they've generated plenty of interest… and a fair amount of confusion.

These accounts are designed for children born in 2025 or later, so they won't directly impact most retirees. But for many families I work with, helping a child or grandchild get a thoughtful financial head start is very much top of mind. That's the lens through which this conversation is most useful.

The Buzz

Much of the buzz about these accounts has centered around the one-time $1,000 federal seed grant available for children born between 2025 and 2028. In my opinion, no parent with a newborn who meets the eligibility requirements should turn this down, but it shouldn't be the deciding factor that commits a family to using this account long term. In most cases, the grant is a *sweetener,* not the strategy.

At their core, Trump Accounts are essentially an **IRA for children without earned income**. Parents, grandparents, employers, and tax-exempt organizations can contribute, subject to a combined maximum of $5,000 per year. Contributions are made with after-tax dollars, there's no tax deduction for putting money in, and the assets grow tax-deferred—though they remain subject to age-based rules and restrictions until the child turns 18.

Is The Juice Worth The Squeeze?

The primary benefit is simple: growth and income earned inside the account is tax-deferred.

But the trade-offs matter just as much. Investment choices are limited—currently to a narrow set of low-cost equity index funds. The money itself comes with usage and access restrictions, along with some reporting quirks for those funding the account.

Because young children have such long time horizons, growth-oriented investments usually make sense. But those same index funds tend to generate very little annual income. That means the real-world tax savings from deferring dividends can be smaller than many expect.

For example, the dividend yield on the S&P500 Index is roughly 1.2%. If the maximum account contribution in a year is $5,000, that equates to $60 of qualified dividends.

Families will be faced with the following question: ***Is the tax-deferral worth the limitations associated with the account?***

Holding similar investments in a taxable or custodial account often results in modest annual taxes—typically at qualified dividend rates—while preserving far more flexibility.

A Unique Roth Conversion Opportunity at Age 18

That said, there is one powerful planning angle worth understanding.

Once the child turns 18, the account is treated like a traditional IRA. **IRS Notice 2025-68** recently clarified that, at that point, a Roth conversion becomes an option. If the young adult has little or no earned income—as is often the case—the conversion can sometimes be done at very low tax rates.

The result can be a meaningful pool of Roth assets at a very young age, with decades of potential tax-deferred growth ahead and tax-free withdrawals in retirement. That kind of early optionality is rare, but it requires careful coordination and a clear understanding of the tax nuances associated with these accounts. For example, account owners cannot pay for the taxes associated with the Roth conversion via withholding from the IRA distribution.

Practical Application In The Real World

Good planning isn't about chasing new accounts. It's about matching the *right tool* to the *right goal*, over the *right time horizon*—and being willing to revisit decisions as life evolves.

Trump Accounts may have a place for some families. But like most planning tools, they work best when used intentionally based off a long-term plan.

How We Can Help

If this topic isn't directly relevant to you but is relevant to a child, grandchild, or family member, please feel free to pass this along. Trump Accounts are scheduled to go live on **July 4, 2026**, which gives families time to think through whether - and how - this tool fits into a broader financial plan.

The technical nuances of tax planning and long-term savings decisions can be time-consuming and, at times, overwhelming.

If you or a family member would find it helpful to talk through the trade-offs and arrive at a clear, confident decision, I'm always happy to be a sounding board. You're welcome to schedule a conversation anytime.

Schedule time with Doug



Sources:

- Ed Slott, NEW IRS GUIDANCE ON TRUMP ACCOUNTS IS RELEASED
- IRS.gov

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