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# Trump Accounts: Overview and Policy Considerations

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## Trump Accounts: Overview and Policy Considerations

Trump Accounts are a new form of traditional individual retirement account (IRA) that the 2025 reconciliation law (P.L. 119-21) created for the benefit of children. Savers will be able to contribute to Trump Accounts starting on July 4, 2026.

Traditional IRAs are typically tax-advantaged accounts for individuals who have income from work to save for retirement. Trump Accounts differ from other traditional IRAs in that they have special rules, described below, that apply prior to the start of the year in which a beneficiary reaches the age of 18 (i.e., during the account's *growth period*).

Contributions to Trump Accounts are allowed from several sources. Anyone can contribute to a child's Trump Account, although individual contributions during the growth period are not tax-deductible for either the contributor or the beneficiary. Employers can contribute up to \$2,500 (adjusted for inflation after 2027) tax-free to the Trump Accounts of employees or their dependents (amount is per employee, per year). Tax-free contributions are also allowed from state or local governments and from 501(c)(3) tax-exempt organizations, provided the state, locality, or organization contributes an equal amount to the account of each child in a qualified group of either (1) all children, (2) all children in a certain geographic area, or (3) all children born in one or more calendar years.

Contributions during the growth period are generally subject to an annual combined limit of \$5,000 in 2026 (adjusted for inflation after 2027), which is lower than the traditional IRA limit (\$7,500 in 2026). Contributions during the growth period are not limited to the beneficiary's taxable compensation (as is the case for other traditional IRAs), making saving viable for children with little or no income of their own. During the growth period, beneficiaries cannot deduct contributions from their taxable income, whether those contributions are made by themselves or by others. Any income earned within the account (e.g., investment earnings) will not be taxed until withdrawal, similar to other traditional IRAs.

During the growth period, savings in Trump Accounts must be invested in a diversified index fund of U.S. stocks and must minimize fees and expenses. After the growth period ends, contributions and investments follow the same rules as for other traditional IRAs.

Distributions are not allowed during the growth period, except to roll the funds into an ABLER account for disabled individuals. After the growth period ends, distributions follow the same rules as for other traditional IRAs. The amount of the distribution allocable to post-tax contributions from individuals (the beneficiary, parents, etc.) is exempt from tax. Pretax contributions—including from employers, charities, and the government—are taxable at the time of withdrawal as ordinary income. Investment returns on any contribution are subject to tax. Distributions before the beneficiary reaches age 59½ may be subject to an additional 10% tax, unless an exception applies, following traditional IRA rules. Exceptions include withdrawals for higher education expenses, for the purchase or construction of a first home (up to \$10,000), for birth or adoption expenses (up to \$5,000 per child), for emergency personal expenses (up to \$1,000 per year), for certain medical expenses, and for certain other uses.

The 2025 reconciliation law also created a new one-time refundable tax credit of \$1,000 for each qualifying child, which the U.S. Treasury is to contribute directly to the child's Trump Account once an authorized individual has opened an account on behalf of the child. To be eligible for the one-time tax credit, the child must be a U.S. citizen born between January 1, 2025, and December 31, 2028.

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## Introduction

The 2025 reconciliation law (P.L. 119-21) created a new form of individual retirement account (IRA), known as a Trump Account, intended to facilitate long-term saving on behalf of beneficiaries under the age of 18. Individuals will be able to open Trump Accounts starting on July 4, 2026. An authorized individual (i.e., a legal guardian, parent, adult sibling, or grandparent) may open a Trump Account for a child. The Secretary of the Treasury also has the authority under the statute to proactively create Trump Accounts on behalf of children, though the Treasury Department has indicated that it does not intend to do so, due to concerns that such actions could violate preexisting privacy laws.<sup>1</sup> The Treasury Department says it intends to allow authorized individuals to open accounts on behalf of children using new Internal Revenue Service (IRS) Form 4547.<sup>2</sup>

This report outlines how Trump Accounts operate, including their tax advantages, allowed and disallowed uses, and the potential sources of contributions to the accounts. It also discusses the potential impact of the accounts on personal saving and national saving, and examines how these accounts could affect children's and families' eligibility for other government benefits.

## Description of Trump Accounts

Trump Accounts are individual retirement accounts (IRAs) that operate under a unique set of rules. Non-Trump Account IRAs are retirement savings accounts that workers may establish independently at financial institutions. IRAs are tax-advantaged savings accounts instituted to encourage workers who do not have access to an employer-sponsored retirement plan to save for retirement, among other purposes.<sup>3</sup> Congress has authorized two types of IRAs: traditional and Roth. A Trump Account is a form of traditional IRA available for children under the age of 18, subject to special rules.<sup>4</sup>

Traditional tax-deferred IRAs allow beneficiaries to deduct qualifying contributions to their accounts from their income subject to the income tax.<sup>5</sup> Traditional IRA-owning individuals are not subject to tax on earnings within the account prior to withdrawal, and the entire value of withdrawals is generally taxable. Savers who forgo a deduction for their contribution can withdraw the contribution amount tax-free, although any earnings in the account remain taxable. A 10% penalty applies to withdrawals made before the saver reaches age 59½, dies, or becomes disabled, unless the reason for the withdrawal meets an exception in the *U.S. Code*.<sup>6</sup> Contributions to traditional tax-deferred IRAs must be made with income from work, such as wages and tips, as defined in law and regulations.

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<sup>1</sup> Internal Revenue Service (IRS), "Trump Accounts," 91 *Federal Register* 11194, 11197, March 9, 2026, <https://www.federalregister.gov/documents/2026/03/09/2026-04533/trump-accounts>.

<sup>2</sup> Department of the Treasury, "Trump Accounts," accessed January 2026, <https://www.trumpaccounts.gov/>.

<sup>3</sup> IRAs also allow workers with employer plans to roll over their savings and retain tax advantages.

<sup>4</sup> For more on individual retirement accounts, see CRS Report RL34397, *Traditional and Roth Individual Retirement Accounts (IRAs): A Primer*, by Elizabeth A. Myers.

<sup>5</sup> Deductibility of traditional IRA contributions depends on an account beneficiary's income and whether the beneficiary is covered by a retirement plan at work.

<sup>6</sup> See IRS, "Retirement Topics – Exceptions to Tax on Early Distributions," <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-exceptions-to-tax-on-early-distributions>.

Roth IRAs, in contrast, must be contributed to with after-tax income, but no tax applies to qualified withdrawals. Trump Accounts cannot be Roth IRAs (though once a Trump Account beneficiary reaches the age of 18, they may convert their traditional IRA into a Roth IRA).<sup>7</sup>

### Who's Who in Administering Trump Accounts

Several different people and institutions are involved in managing a Trump Account. Some relevant participants in the process include the following:

- **Beneficiary** – the child for whom the Trump Account has been opened.
- **Account Opener** – the individual who opens the Trump Account on behalf of the child, also known as the “authorized individual.” If the opener seeks to claim the automatic federal contribution to the account under the Federal Contribution Pilot Program (see “Federal Contribution Pilot Program”), the opener must be able to claim the child as a dependent for purposes of the child tax credit. Otherwise, they must be the beneficiary’s legal guardian, parent, adult sibling, or grandparent.
- **Contributor** – one who contributes money to a Trump Account. Contributors may include parents, grandparents, the beneficiary themselves, other relatives, and friends. Contributors may also include employers, the federal government, state and local governments, and nonprofit organizations.
- **Trustee** – the institution that administers the Trump Account on behalf of the beneficiary, such as a bank or nonbank trustee approved by the IRS.

Trump Accounts are traditional IRAs that operate under special rules that may make saving more financially advantageous for children. The special rules surrounding Trump Accounts generally apply up to the year in which a beneficiary reaches the age of 18 (i.e., during the *growth period*). After the growth period, Trump Accounts operate comparably to any other traditional IRA.<sup>8</sup>

Unlike other IRAs, contributions to Trump Accounts are not limited to the beneficiary’s compensation for the year. The income tax applies to both contributions made during the growth period and withdrawals, but any income earned within the account will not be taxed until withdrawal. As with traditional IRAs, amounts contributed using after-tax income are not subject to tax, although income earned on those amounts is. Withdrawals are generally not allowed from Trump Accounts during the growth period.

To qualify for an account, a child must be a U.S. citizen and must have a work-authorized Social Security number. A Trump Account must be opened before the year in which the beneficiary reaches the age of 18. A given child may be the beneficiary of only one Trump Account.

## Contributions

Contributions to Trump Accounts can come from several sources, and their treatment varies depending on the nature of the payor and payment. This section outlines the treatment of *ordinary*

<sup>7</sup> Tax-deductible contributions to traditional IRAs or contributions to Roth IRAs are not allowed for higher-income taxpayers, for whom these benefits are phased out. These taxpayers can still contribute to a traditional IRA but are not allowed a deduction. When withdrawals are made from the IRA, a portion reflecting the amounts contributed is exempt from tax. Trump Accounts follow this pattern, with no deduction allowed but a tax-exempt recovery of the contribution allowed on withdrawal.

<sup>8</sup> IRS Notice 2025-68 states that “a Trump account continues to be a Trump account after the growth period. An account initially established as a Trump account can never receive contributions under a section 408(k) SEP arrangement or section 408(p) SIMPLE IRA plan. Similarly, an account initially established as a Trump account can never be aggregated with other individual retirement arrangements when allocating basis related to a distribution from either the Trump account or another individual retirement arrangement.” IRS, *Notice of Intent to Issue Regulations with Respect to Section 530A Trump Accounts*, Notice 2025-68, December 2, 2025, <https://www.irs.gov/pub/irs-drop/n-25-68.pdf> (hereinafter IRS, *Notice of Intent to Issue Regulations with Respect to Section 530A Trump Accounts*).

*contributions* (i.e., those not subject to unique rules) and *tax-advantaged contributions* (those which statute treats differently from ordinary contributions).

Regardless of the form taken, contributions to Trump Accounts are not limited to the beneficiary's compensation for the year, unlike other traditional IRAs. Trump Accounts can begin accepting contributions on July 4, 2026.

## Ordinary Contributions

As noted above, contributors will generally be able to contribute up to a combined total of \$5,000 per year (adjusted for inflation after 2027) to a child's Trump Account; multiple people can contribute to a child's Trump Account, but the sum of all contributions to the child's account cannot exceed \$5,000. Neither beneficiaries nor other individual contributors can deduct ordinary contributions during the growth period. Excess contributions will be subject to an annual 6% penalty on the overcontributed amount until removed.

For example, consider if a child's parents open an account for the child and contribute \$3,000. A grandparent could then contribute up to \$2,000 in the same year to the child's Trump Account. If the grandparent contributed \$3,000 instead, the account would surpass the \$5,000 limit by \$1,000, and the account would pay a penalty tax of 6% on that \$1,000 (\$60) every year until the excess \$1,000 is removed.

Beneficiaries generally do not owe tax on ordinary contributions. As with other traditional IRAs, the amount contributed using after-tax dollars (i.e., most ordinary contributions) are excluded from taxation when withdrawn. However, any gains the account has made are taxed.

Amounts contributed to Trump Accounts from individuals are generally considered gifts for purposes of the federal gift tax. Givers must report to the IRS their total annual gifts made to one individual that exceed a threshold (\$19,000 in 2026).<sup>9</sup> Gifts become taxable only once these reported amounts exceed the taxpayer's lifetime combined estate and gift tax exclusion (\$15 million for unmarried individuals in 2026).<sup>10</sup>

## Tax-Advantaged Contributions

In addition to contributions from adults in a child's life, Trump Accounts allow for certain types of contributions from third parties. These contributions include those made by the federal government through the Federal Contribution Pilot Program, contributions made by employers, and certain contributions by nonprofits or state and local governments. Qualifying contributions of these types are not taxable income for the beneficiary when made, although they will be taxed when withdrawn from the account.

Qualifying contributions from governments or nonprofits may be excluded from the \$5,000 annual contribution limit. The federal gift tax does not apply to government entities, nonprofits, or employers offering compensation. The rules and tax benefits related to contributions from these third parties are discussed in more detail in the following section.

Each of these is subject to its own rules and requirements, detailed below.

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<sup>9</sup> Gifts in excess of this threshold count against the giver's lifetime combined estate and gift tax exclusion (\$15 million in 2026, adjusted for inflation annually). Any gifts above the \$19,000 threshold that are made after this lifetime exemption is exhausted are taxed at a rate of 40%.

<sup>10</sup> A surviving spouse can inherit a deceased spouse's unused gift tax exclusion. For more on the gift tax, see CRS Report R48183, *The Estate and Gift Tax: An Overview*, by Jane G. Gravelle.

### ***Federal Contribution Pilot Program***

P.L. 119-21 established a temporary program under which the parent or guardian of a newborn child can receive a \$1,000 tax credit, which shall be paid directly into the child’s Trump Account.<sup>11</sup> A child will qualify if they are born from 2025 through 2028, are a U.S. citizen, and have a work-authorized Social Security number.<sup>12</sup> This initial federal contribution will not count toward the \$5,000 limit (adjusted for inflation after 2027) on annual contributions into a given Trump Account. The amount contributed will be taxed upon its withdrawal from the account, just as other tax-excludable Trump Account contributions are.

Households must elect to receive this initial contribution. The law did not establish the procedures under which taxpayers would make such an election, but said the elections shall be made “at such time and in such manner as the Secretary [of the Treasury] shall provide.”

The credit providing this initial contribution is not limited to a taxpayer’s individual income tax liability. Unlike some other tax credits, this credit is protected from offset based on debt to the federal government or state governments of unpaid taxes, child support, or overpaid unemployment compensation.

To qualify, the account beneficiary must be the taxpayer’s “qualifying child” for purposes of dependency status under the Internal Revenue Code.<sup>13</sup> A qualifying child must be the filer’s son, daughter, stepchild, adopted child, eligible foster child, brother, sister, stepbrother, stepsister, half-brother, half-sister, or a descendant of one of these (e.g., grandchild, niece, nephew). Additionally, a qualifying child must not provide more than half of their own financial support during the year. Generally, the child must also live with the taxpayer for more than half the year. Other rules also apply to dependency status.<sup>14</sup>

### ***Employer Contributions***

The law established a new tax exclusion for employer contributions into the Trump Accounts of their employees or the dependents of their employees. Qualifying employer contributions will not be considered the taxable income of the employee, and the employer can deduct such expenses as part of the compensation of their employees, as they can with contributions to other accounts such as employer-sponsored retirement accounts.

The value of such contributions is limited to \$2,500 per employee, per year (adjusted for inflation starting in 2027).<sup>15</sup> Unlike other tax-advantaged contributions, qualifying employer contributions count toward the \$5,000 limit (adjusted for inflation after 2027) on annual contributions into a given Trump Account. The amount contributed will be taxed upon its withdrawal from the account, just as other tax-exempt Trump Account contributions are.

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<sup>11</sup> New Internal Revenue Code §6434.

<sup>12</sup> For more on work-authorized Social Security numbers, see CRS Report R47483, *Noncitizen Eligibility for Employment Authorization and Work-Authorized Social Security Numbers (SSNs)*, by Abigail F. Kolker and William R. Morton.

<sup>13</sup> Internal Revenue Code §152(c).

<sup>14</sup> See IRS, *Dependents, Standard Deduction, and Filing Information*, Publication 501, February 4, 2026, <https://www.irs.gov/pub/irs-pdf/p501.pdf>.

<sup>15</sup> The law did not establish whether this limit was to apply annually or to the total cumulative value of employer contributions across all years. The IRS has indicated it intends to interpret this limit as applying for each calendar year. For example, see IRS, *Notice of Intent to Issue Regulations with Respect to Section 530A Trump Accounts*.

## Qualified General Contributions

Nonprofit organizations, as well as state and local governments and tribal governments, can make *qualified general contributions* to the Trump Accounts of children who live in a particular geographic area.<sup>16</sup> Qualified general contributions will not be considered the recipient’s taxable income nor will they count toward the contribution limits on the accounts. The amount contributed will be taxed upon its withdrawal from the account, just as other tax-exempt Trump Account contributions are.

To qualify, a general contribution must be paid to the Department of the Treasury, which will disburse it to the accounts of the contribution’s recipients. The contribution must be divided equally between all members of a *qualified class*, defined as one of the following:

- every Trump Account holder in the United States who will not reach age 18 by the end of the calendar year in which the contribution is made;
- every Trump Account holder in a particular state or qualified geographic area (as so determined by the Department of the Treasury, and including at least 5,000 account beneficiaries) who will not reach age 18 by the end of the calendar year in which the contribution is made;<sup>17</sup> or
- every Trump Account holder who will not reach age 18 by the end of the calendar year in which the contribution is made who was born in one or more calendar years specified in the terms of the qualified general distribution.

These limitations make it such that the only allowable limit on the recipients of a qualifying general contribution is the geographical location and age of such recipients.

Institutions providing qualified general contributions therefore cannot target such contributions directly on the basis of need, the demographic characteristics of the recipients, or other parameters that may be of interest. Donors could use the economic characteristics of geographic areas to target financial need indirectly. Two qualified general contributions announced are scheduled to be available to children located in ZIP codes with median incomes under certain thresholds, among other parameters.<sup>18</sup> Nonprofit organizations and state or local governments can still contribute to Trump Account holders who do not meet these parameters, but such contributions would not be qualified general contributions and would count toward the recipient’s annual contribution limit.

## Eligible Investments

During the period prior to the year in which a Trump Account beneficiary reaches age 18 (what the IRS calls the account’s *growth period*), the funds in a Trump Account must be invested in an eligible investment. Eligible investments, as defined in the law, will include mutual funds or exchange traded funds, which must track either the Standard and Poor’s 500 (S&P 500) stock market index or another index tracking the returns of equity investments in “primarily United

<sup>16</sup> For purposes of this provision, “state and local government” includes Tribal governments, but does not include possessions of the United States or political subdivisions thereof.

<sup>17</sup> The IRS says it does not intend to designate qualified geographic areas during the “initial phase” of the Trump Account rollout; the IRS has requested comment on what uniform factors or criteria it should consider when designating such areas. IRS, *Notice of Intent to Issue Regulations with Respect to Section 530A Trump Accounts*.

<sup>18</sup> OneDell, “We’re Committing \$6.25 Billion to Give 25 Million Children a Financial Head Start,” December 2025, <https://www.onedell.com/investamerica/>; and Dalio Philanthropies, “Dalios Double Down on Connecticut’s Youth,” Business Wire, December 17, 2025, <https://www.businesswire.com/news/home/20251217847942/en/Dalios-Double-Down-on-Connecticuts-Youth>.

States companies.” The IRS says it intends to issue regulations that would consider an index “primarily” invested in U.S. companies if at least 90% of the weighted value of the index is in such companies.<sup>19</sup> The index the investment tracks must also be one for which regulated futures contracts are publicly traded on an exchange.

Qualified indexes do not include sector- or industry-specific index funds, but they can include indexes that track the returns of businesses of specified market capitalization (e.g., small-cap or large-cap index funds). Nonqualifying investments include individual stocks, the bond market, and indexes tracking primarily foreign companies.

In addition, a qualifying investment must not have annual fees exceeding 0.1% of the balance of investments in the fund, and it may not use leverage.<sup>20</sup> The Secretary of the Treasury has the authority to regulate qualifying investments further.

Once a Trump Account beneficiary turns 18 and the account becomes a traditional IRA, the aforementioned investment restrictions no longer apply.

## Qualified Withdrawals

Families generally cannot withdraw funds from Trump Accounts before the end of the growth period. After the growth period ends, the withdrawal rules for traditional IRAs apply. Beneficiaries must include traditional IRA withdrawals in their taxable income (with an exempt amount for nondeductible and other specified contributions), and withdrawals could be subject to a 10% penalty if made before the beneficiary reaches the age of 59½.

Amounts that were taxable when contributed (in the case of Trump Accounts, contributions besides the tax-advantaged contributions cited above) are exempt from taxation upon withdrawal. However, any returns on such investments are taxable when withdrawn.

Traditional IRA withdrawals made before the beneficiary reaches age 59½ may be exempt from the early withdrawal penalty (but still subject to tax) if used for certain purposes, including<sup>21</sup>

- higher education expenses;
- the purchase or construction of a first home (subject to a \$10,000 limit);
- the birth or adoption of a child (subject to a \$5,000 limit; expenses must be incurred within a year of the event);
- personal emergency expenses (subject to an annual \$1,000 limit);
- medical expenses that qualify for the medical expense deduction<sup>22</sup>; or
- health insurance premiums during a period of unemployment.

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<sup>19</sup> IRS, *Notice of Intent to Issue Regulations with Respect to Section 530A Trump Accounts*. The definition of a “U.S. company” conforms with the definition of a domestic company in 26 U.S.C. §7701(a)(4), which applies to corporations or partnerships “created or organized in the United States or under the law of the United States or of any State unless, in the case of a partnership, the Secretary provides otherwise by regulations.”

<sup>20</sup> The IRS explains that “[a] mutual fund or ETF is considered to use leverage if, as a result of the fund’s use of borrowings, derivatives, or other strategies that are economically equivalent to borrowings, a percentage change in the level of an index tends to cause a materially greater percentage change in the value of the fund’s portfolio.” IRS, *Notice of Intent to Issue Regulations with Respect to Section 530A Trump Accounts*.

<sup>21</sup> For more on qualifying withdrawals, see IRS, *Distributions from Individual Retirement Arrangements (IRAs)*, Publication 590-B, March 19, 2025, <https://www.irs.gov/pub/irs-pdf/p590b.pdf>.

<sup>22</sup> The medical expense deduction is an itemized deduction for qualifying medical expenses in excess of 7.5% of a taxpayer’s adjusted gross income (AGI). If a taxpayer itemizes their tax deductions, they would effectively pay no tax on withdrawals for these expenses, in addition to paying no penalty.

Withdrawals may also be exempt from the penalty in the event that

- a beneficiary dies, becomes totally and permanently disabled, or has a terminal illness;
- a beneficiary incurs an economic loss as a result of certain disasters; or
- a beneficiary is a qualified reservist called to active duty for a period of at least 179 days after September 11, 2001.

Withdrawals made in substantially equal periodic payments over an account beneficiary's expected lifetime, or to meet certain rules regarding IRAs, may also be exempt from the penalty.<sup>23</sup>

## ABLE Account Rollovers

The only exception to the prohibition on withdrawals during the growth period is if a beneficiary rolls their Trump Account assets into an ABLE account. ABLE accounts are tax-advantaged savings accounts for individuals who are totally and permanently disabled.<sup>24</sup> ABLE account beneficiaries can exclude withdrawals for disability-related expenditures from income subject to tax. The assets in ABLE accounts are also generally excluded from asset tests for benefit programs such as Supplemental Security Income.<sup>25</sup>

Families can transfer the assets in a Trump Account into an ABLE account only in the year in which the beneficiary reaches age 17 (i.e., the last year of the growth period). The rollover must be a direct trustee-to-trustee rollover, meaning the Trump Account cannot distribute the value to the family who then contributes it into an ABLE account themselves. Families must roll over all of the assets in the Trump Account—partial rollovers are not allowed. Such rollovers are not subject to the annual contribution limit that applies to ordinary ABLE account contributions.<sup>26</sup>

## Benefits of Trump Accounts and Comparison with Other Types of Accounts

Trump Accounts do not allow individuals to deduct contributions made to the accounts of children from the individuals' taxable incomes, nor do they exempt withdrawals from taxation. The tax benefit of a Trump Account is that income earned within the account, such as payments of dividends, is not taxed in the year it is earned, as it would be for a fully taxable account (e.g., a brokerage account). While any such income is still included in the amount taxed upon withdrawal, this deferral of taxation allows the amounts to compound over time.

Relatedly, while a holder of a non-tax-advantaged account must pay capital gains taxes on the increase in an asset's value any time they sell it, Trump Account holders can change investments in the account without incurring a tax penalty at the time. Savers may then allocate their investments more efficiently, as they would base their decisions on their expected risk and return without needing to consider tax implications of allowable investments. The limits on allowable

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<sup>23</sup> IRS, "Substantially Equal Periodic Payments," updated August 26, 2025, <https://www.irs.gov/retirement-plans/substantially-equal-periodic-payments>.

<sup>24</sup> For more on ABLE accounts, see CRS In Focus IF10363, *Achieving a Better Life Experience (ABLE) Programs*, by William R. Morton and Kirsten J. Colello.

<sup>25</sup> For more on Supplemental Security Income and its asset test, see CRS In Focus IF10482, *Supplemental Security Income (SSI)*, by Emma K. Tatem and William R. Morton.

<sup>26</sup> For more on ABLE accounts, see CRS In Focus IF10363, *Achieving a Better Life Experience (ABLE) Programs*, by William R. Morton and Kirsten J. Colello.

investments may dampen this effect, as investors can allocate Trump Account funds in only one form of asset (stock primarily in U.S. companies) in two types of investment vehicles (exchange-traded funds and mutual funds).

Some savers may face higher statutory tax rates if using a non-tax-advantaged investment account than if using a Trump Account. Long-term capital gains and qualified dividends in ordinary investment accounts are subject to lower rates than withdrawals from Trump Accounts, which are taxed as ordinary income.<sup>27</sup> Whether these higher rates will countervail the other tax advantages of a Trump Account will depend upon the time the assets are held, the nature of the income received, and how actively the saver manages their investments, among other potential factors.

Savers have other tax-advantaged vehicles available to them for the benefit of children, including 529 plans and taxable brokerage accounts (shown in **Table 1**). Additionally, under current law, adults can open *custodial IRAs* on behalf of minor children who have income from work; however, because most children have little or no earnings, usage of custodial IRAs is likely limited. Contributions to all IRAs in an account beneficiary's name, from all sources, are limited to the lesser of the beneficiary's taxable compensation—such as wages, salaries, or self-employment income—or an annual cap (in 2026, \$7,500, or \$8,600 for those age 50 and older).<sup>28</sup> Additionally, taxpayers can deduct only contributions made to their own accounts, not contributions made to the accounts of others. Since most children have little or no income tax liability, most would benefit little from deducting contributions from other people.<sup>29</sup>

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<sup>27</sup> CRS Report R47113, *Capital Gains Taxes: An Overview of the Issues*, by Jane G. Gravelle.

<sup>28</sup> Since contributions to Trump Accounts are not deductible, this limit does not interact with the annual contribution limit to Trump Accounts.

<sup>29</sup> Adults can open Roth IRA custodial accounts on behalf of their children, provided the child has compensation that makes contributions allowable. Individuals cannot deduct contributions to Roth IRAs, but no tax applies to qualified withdrawals from Roth IRAs. Because children with income still likely face low (or zero) income tax liability, Roth IRA custodial accounts might be more popular than traditional IRA custodial accounts.

**Table I. Parameters of Selected Savings Accounts for Children During Growth Period**

	<b>Trump Accounts</b>	<b>Custodial Roth IRA</b>	<b>Custodial Traditional IRA</b>	<b>529 Plan</b>	<b>Taxable Brokerage Account</b>
Annual account earnings taxed	No	No	No	No	Yes
Qualified contributions taxed	Yes, except for certain tax-advantaged contributions from employers, nonprofits, or governments.	Yes	Deductible only for account beneficiary (the minor child); tax liability may be low or zero due to low earnings, limiting the value of the deduction.	Yes	Yes; contributions cannot qualify for advantageous tax treatment
Qualified withdrawals taxed	Yes, with exemption for taxable contributions.	No	Yes	No	Yes; withdrawals cannot qualify for advantageous tax treatment
Contribution limits	Up to \$5,000 per year, not including certain third-party contributions. (After growth period, traditional IRA limits apply.)	Cannot exceed lesser of child's annual compensation or the annual IRA contribution limit <sup>a</sup> (\$7,500 in 2026); 6% penalty on excess contributions.	Cannot exceed lesser of child's annual compensation or the annual IRA contribution limit <sup>a</sup> (\$7,500 in 2026); 6% penalty on excess contributions.	No annual limit. States must ensure assets in accounts are not "excessive."	N/A

	<b>Trump Accounts</b>	<b>Custodial Roth IRA</b>	<b>Custodial Traditional IRA</b>	<b>529 Plan</b>	<b>Taxable Brokerage Account</b>
Withdrawal rules	None before year beneficiary turns 18 (besides qualified rollovers into ABLE accounts). After that point, same rules as non-Trump Account traditional IRAs.	Any after beneficiary reaches age 59½, dies, or becomes disabled. The value of contributions can be withdrawn anytime. 10% penalty on nonqualified withdrawals. Penalty waived if used for certain expenses, including qualified higher education expenses, up to \$10,000 for purchase of a first home, and up to \$5,000 after the birth/adoption of a child.	Any after beneficiary reaches age 59½, dies, or becomes disabled. 10% penalty on early withdrawals. Penalty waived if used for certain expenses, including qualified higher education expenses, up to \$10,000 for purchase of a first home, and up to \$5,000 after the birth/adoption of a child.	Tuition and fees, room and board (capped), books, supplies, equipment, and special needs expenses for higher education; or certain registered apprenticeship expenses. Up to \$20,000 annually for required tuition and other qualifying expenses for elementary and secondary education. Up to \$10,000 for student loan payments. Tax plus 10% penalty on nonqualified withdrawals. Up to \$35,000 can be rolled over into Roth IRA.	Withdrawals permitted at any time.
Allowable investments	Certain exchange-traded funds and mutual funds tracking the value of stocks of U.S. companies.	Few restrictions. Cannot invest in life insurance contracts, collectibles, and S corporations.	Few restrictions. Cannot invest in life insurance contracts, collectibles, and S corporations.	Determined by state.	Any

**Source:** IRC §§529, 530, 408, 408A; and CRS analysis.

**Notes:** This table is not exhaustive of rules pertaining to these accounts. Other tax-advantaged accounts for children include Coverdell Accounts. For more on Coverdell Accounts, see CRS Report R42809, *Tax-Preferred College Savings Plans: An Introduction to Coverdells*, by Margot L. Crandall-Hollick and Brendan McDermott. The growth period of a Trump Account is the period before the start of the year in which the beneficiary reaches age 18.

- a. The IRA contribution limit applies in aggregate to all custodial IRAs maintained on behalf of a minor child, both Roth and traditional.

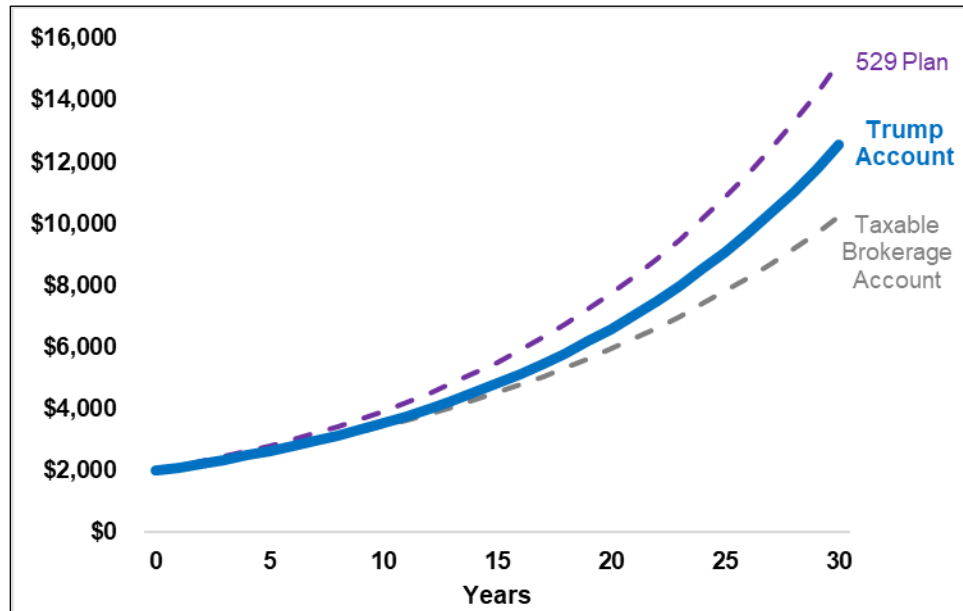
The primary practical advantage of personal contributions to a Trump Account over a custodial traditional or Roth IRA is the ability to bypass the earned income limitation on contributions. For children who have earned income, saving within a custodial Roth IRA (or, in certain cases, a custodial traditional IRA) is generally more advantageous financially than saving in a Trump Account in the long term. Roth IRAs impose no tax on qualified withdrawals, unlike Trump Accounts. Both traditional and Roth IRAs are more flexible, as they allow individuals to invest in a wider variety of assets and allow withdrawals before the year in which the child turns 18 (albeit subject to penalty). Additionally, for children with annual compensation greater than the Trump account maximum annual contribution (\$5,000 in 2026), the maximum annual contribution to a traditional or Roth IRA (\$7,500 in 2026) is greater than to a Trump Account.

Qualified tuition savings plan (commonly known as 529 plan) accounts are another form of tax-advantaged savings accounts, available for certain education-related expenses. States regulate such plans, but the federal government recognizes them for federal income tax purposes. Like Roth IRAs, 529 plan accounts are tax-exempt, meaning contributions are taxable, taxation of annual earnings is deferred until withdrawals are taken, and withdrawals used for eligible expenses are not taxable. For this reason, 529 plan accounts generally offer a greater tax advantage than Trump Accounts, which are subject to tax at the time of withdrawal. Eligible expenses for 529 plans include tuition, books, required fees, and other expenses related to higher education or qualified apprenticeship programs, among others. Families can also make tax-free withdrawals of up to \$20,000 annually for certain elementary and secondary education expenses and can roll over funds in the account into a Roth IRA, subject to certain limits.

While 529 plan accounts generally offer a greater tax advantage than Trump Accounts do, as shown in **Figure 1**, beneficiaries can use withdrawals from Trump Accounts for a wider variety of expenses than withdrawals from 529 plan accounts (though not necessarily from a Roth IRA into which the beneficiary has rolled over 529 plan funds).

In choosing among the various options by which contributors may save on behalf of a child, some may divert toward Trump Accounts funds they would have otherwise directed to custodial IRAs or 529 plans. The incentives to do so vary by the financial circumstances of a household (in particular, whether the child has earned income) and the household's expectations of the child's future expenses, such as for higher education.

**Figure I. After-Tax Value of \$2,500 Investment, by Account Type and Time**  
Representative Investment



**Source:** CRS analysis.

**Notes:** Assumes a 7% rate of return, a 20% tax rate in all years, no capital gains, and that all contributions and withdrawals are qualifying. Including capital gains would increase the value of the investment in a 529 plan relative to the other two accounts. The benefit of nondeductible contributions to a custodial traditional IRA would be comparable to those of a Trump Account.

## Potential Impact of Trump Accounts on Saving Behavior and Wealth

Policymakers and stakeholders have identified several goals that Trump Accounts could help achieve. Such goals include encouraging wealth building and distributing wealth more broadly throughout the economy.<sup>30</sup> Trump Accounts could influence saving behavior either through the direct benefits provided by the accounts or by motivating households to save more than they otherwise would, in order to access such benefits.<sup>31</sup>

### Direct Effects of Tax Benefits

Trump Accounts could increase personal wealth of beneficiaries directly through the tax benefits associated with the accounts: tax-deferred growth, the temporary \$1,000 initial contribution from the federal government for newborns, and the exclusion of tax-advantaged contributions from

<sup>30</sup> Department of the Treasury, “Remarks by Secretary of the Treasury Scott Bessent at the Trump Accounts Press Conference,” December 17, 2025, <https://home.treasury.gov/news/press-releases/sb0340>; and IRS, “Trump Accounts,” <https://trumpaccounts.gov>. Policymakers have identified additional goals associated with the accounts, including facilitating financial literacy.

<sup>31</sup> For more on tax policy’s influence on saving generally, see CRS Report R48092, *Can Tax Policy Increase Saving?*, by Jane G. Gravelle and Donald J. Marples.

income subject to tax. These benefits will directly increase the personal savings levels of beneficiaries.

Since all of these benefits represent forgone federal tax revenue, they will reduce *public savings* levels (i.e., increase the national debt) by exactly as much as they will increase personal savings. Similarly, employer contributions and qualified general contributions will cause the savings of the contributors to decline by as much as the increase in savings for the beneficiary.<sup>32</sup> As such, these tax-advantaged contributions may represent a transfer of savings from contributors to beneficiaries rather than new savings.

## Impact on Household Savings Rates

Another way the accounts could facilitate wealth building is by encouraging individuals to save more of their own income than they otherwise would. In theory, savings incentives have ambiguous effects on saving behavior, given potentially countervailing incentives that tax-advantaged savings accounts can create:

- **Substitution effects, which encourage more saving**—The expectation that tax advantages will encourage saving relies on the assumption that increasing the return to saving will make households more willing to sacrifice current spending to achieve greater returns in the future. Economists call such incentives *substitution effects*.
- **Income and wealth effects, which discourage more saving**—Households with greater income or wealth may decide that they do not need to save as much to achieve their saving goals. Economists call such incentives *income effects* and *wealth effects*, respectively.

The relevance of these effects varies depending on the nature of the incentive option, among other considerations. Tax-advantaged contributions and the federal initial contribution present no substitution effects, since they do not change the rate of return on saving, but they do have income and wealth effects, since they directly increase a beneficiary's income and wealth. Deferring taxation of gains presents all three effects, since it increases the return to saving while also increasing the saver's wealth and after-tax income.<sup>33</sup> The ultimate effect an incentive has on saving behavior depends on the relative size of each of these effects in combination.

Studies of other tax-advantaged savings accounts may prove illustrative of the potential impact of child savings accounts. Although results are mixed, some research on tax-advantaged retirement accounts found that some households respond to tax incentives by shifting savings toward the tax-advantaged vehicle rather than increasing total personal savings.<sup>34</sup>

<sup>32</sup> Several caveats apply. With time, such transfers could increase private savings by more than public savings decline if the returns to Trump Accounts exceed the interest costs paid on the federal debt used to finance them. Qualified general contributions from nonprofits could reduce federal revenues (and therefore public savings) if they influence private donors to give to nonprofit organizations that provide such contributions, as such donations may be tax-deductible and may prevent taxation of income from the donated assets. To the extent employer contributions crowd out compensation through other forms such as wages, they may encourage individuals to save more of their compensation than they otherwise would.

<sup>33</sup> The income effect may be diminished by the restrictions, taxes, and penalties that prohibit or penalize accessing the funds for immediate consumption.

<sup>34</sup> For more detail on this research, see CRS Report R47492, *Tax-Advantaged Savings Accounts: Overview and Policy Considerations*, by Brendan McDermott.

Researchers have also examined the impact of savings incentives in child savings account programs administered by nonprofits or state and local governments.<sup>35</sup> Several studies have examined the effects of initial deposits, comparable to the temporary \$1,000 initial contribution to Trump Accounts from the federal government. There is evidence that initial deposits may encourage households to open accounts when enrollment is not automatic.<sup>36</sup>

## Distributional Considerations

Different elements of Trump Accounts could increase or decrease wealth inequality. The overall effect of these accounts on wealth disparities would depend on the relative size of these elements' effects.

The benefit of both tax-deferred growth and excluded tax-advantaged contributions varies by the tax rate that a beneficiary or household would have otherwise paid on that income. Those facing higher marginal tax rates benefit more from excluding a given amount of income (including annual growth and tax-advantaged contributions) than those facing lower rates do. As a result, the tax benefit to growth in all contributions is economically regressive (greater for higher-income households).

Households generally receive more benefit from Trump Accounts if they are more able to save money in them. Households with higher income and wealth have more resources available to contribute to the accounts, and they may be more familiar with the rules and benefits pertaining to the accounts.

The Federal Contribution Pilot Program will provide the same dollar amount to the accounts of all qualifying children. Since doing so represents a larger increase for lower-wealth beneficiaries in percentage terms, this policy will reduce wealth inequality. Qualified general contributions could increase or decrease wealth inequality, depending on the geographic regions chosen to receive them. Employer contributions could increase inequities, to the extent that higher-earning parents/guardians or Trump Account beneficiaries may have greater access to employer contributions than other workers. In 2025, 83% of workers in the highest-earning 10% had access to an employer-sponsored retirement plan, compared to 36% of the lowest-earning tenth of workers.<sup>37</sup>

## Interactions with Federal Means-Tested Programs

Many federal means-tested programs benefits are available only to those who meet specified criteria and whose incomes (and sometimes assets) fall below certain thresholds. Assets held within Trump Accounts, income that those assets generate, tax-advantaged contributions, and withdrawals from the accounts could potentially impact an individual's or household's eligibility for or the amount of such benefits they may receive.

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<sup>35</sup> The preponderance of research into such preexisting child savings accounts concerns a pilot program known as SEED for Oklahoma Kids (SEED OK). The literature's reliance on the SEED OK program gives reason for caution in interpreting results, as this program may not be representative of the experience of all child savings account programs. Few programs have existed long enough for data to exist on their long-term impacts. As a result, most studies focus on relatively short-term outcomes.

<sup>36</sup> For more on preexisting child savings account programs, see CRS Report R48554, *Child Savings Accounts: Overview and Analysis*, by Brendan McDermott.

<sup>37</sup> Bureau of Labor Statistics, *Employee Benefits in the United States, March 2025*, released September 2025, <https://www.bls.gov/ebs/publications/employee-benefits-in-the-united-states-march-2025.htm>.

The statute enacting Trump Accounts generally did not clarify how federal means-tested programs should or should not integrate the accounts into eligibility determinations or benefit calculations.<sup>38</sup> It did specify that Trump Accounts are a form of IRA, saying that “The term ‘Trump Account’ means an individual retirement account (as defined in section 408(a)) which is not designated as a Roth IRA ...” and meets other requirements.<sup>39</sup> Most federally funded means-tested social programs have preexisting statute, regulation, or practices that specify how their administering agencies should account for IRAs. Such programs may treat Trump Accounts comparably to other IRAs. However, federal agencies that administer the federal means-tested programs described below generally have yet to release implementing regulations or guidance to specify whether this is the case.

Some programs apply *income tests*, meaning they limit availability (or the size of benefits) for some or all applicants to those who have incomes below a given threshold. Both tax-advantaged contributions and withdrawals from Trump Accounts could potentially constitute income. Federal and, for some programs, state agencies are responsible for determining program eligibility and thus may need to specify whether or how these aspects of Trump Accounts count as income. Programs that use income tests for at least some applicants include the Supplemental Nutrition Assistance Program (SNAP),<sup>40</sup> Medicaid,<sup>41</sup> the State Children’s Health Insurance Program (CHIP),<sup>42</sup> Temporary Assistance for Needy Families (TANF),<sup>43</sup> Supplemental Security Income (SSI),<sup>44</sup> and federal student aid for higher education.<sup>45</sup>

Several federal means-tested programs also apply *asset tests* (sometimes referred to as *resource tests*), limiting eligibility or curtailing the size of benefits for those whose assets exceed certain thresholds. Some programs apply both asset and income tests, either to the same applicants or to different groups of applicants. The cumulative holdings of a Trump Account might be considered an asset. SNAP, Medicaid, TANF, SSI, and federal student aid all apply asset tests to at least some applicants.

In addition, eligibility for one program may make an individual automatically eligible for another (sometimes referred to as *categorical eligibility*), depending on program rules. For example, some individuals can qualify for SNAP under categorical eligibility rules if all members of their household receive TANF cash assistance, Supplemental Security Income, or non-federally funded state general assistance. Rules governing eligibility for one program can therefore influence eligibility for another. Given the lack of guidance, it is unclear whether or in what cases Trump

<sup>38</sup> Preexisting statute, 26 U.S.C. 6409, does specify that tax refunds must be disregarded from both income and asset test limits for “any Federal program or under any State or local program financed in whole or in part with Federal funds” for 12 months after receipt. The Federal Contribution Pilot Program, therefore, does not influence such tests during this time period.

<sup>39</sup> 26 U.S.C. 530A(b)(1).

<sup>40</sup> For more on SNAP eligibility rules, see CRS Report R42505, *Supplemental Nutrition Assistance Program (SNAP): A Primer on Eligibility and Benefits*, by Randy Alison Aussenberg and Gene Falk.

<sup>41</sup> For more on Medicaid, see CRS Report R43357, *Medicaid: An Overview*, coordinated by Alison Mitchell.

<sup>42</sup> For more on the federal role in the State Children’s Health Insurance Program, see CRS Report R43949, *Federal Financing for the State Children’s Health Insurance Program (CHIP)*, by Alison Mitchell.

<sup>43</sup> For more on Temporary Assistance for Needy Families, see CRS Report R48413, *Temporary Assistance for Needy Families (TANF) Block Grant: A Primer*, by Gene Falk.

<sup>44</sup> For more on Supplemental Security Income, see CRS Report RS20294, *Supplemental Security Income (SSI): Income/Resource Limits and Accounts Exempt from Benefit Determinations*, by William R. Morton.

<sup>45</sup> For more on federal student aid programs, see CRS In Focus IF12780, *Federal Student Aid Authorized by Title IV of the Higher Education Act*, and CRS Report R46909, *The FAFSA Simplification Act*, by Benjamin Collins and Cassandra Dortch.

Accounts will influence an individual or household's eligibility for means-tested federal programs.

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