

REGULATORY UPDATE

Initial Guidance Regarding Trump Accounts

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On December 2, 2025, the Internal Revenue Service (IRS) released preliminary guidance on Trump Accounts (IRS Notice 2025-68). In a nutshell, Trump Accounts are a type of Individual Retirement Account (IRA) for minors that can be funded from the year the account is opened through December 31 following the child's 17th birthday (the "growth period"). During the growth period, the account is subject to special rules, including annual contribution limits and permitted investments. After the growth period, the account is treated as a traditional IRA for most purposes, with certain exceptions. The IRS intends to issue regulations consistent with the guidance, subject to the comments it receives. This article summarizes the details of the Trump Accounts and the guidance provided in Notice 2025-68.

Establishing a Trump Account. An authorized individual, such as a parent or legal guardian, may open a Trump Account for an eligible individual by filing IRS Form 4547 or by using an online tool. Trump Accounts can only be established at specific financial institutions approved by the Treasury Department, and there can be only one funded Trump Account for an individual at any time. Special

requirements that apply to employer-based Trump Accounts are described below.

Contribution Types.

Five types of contributions can be made to a Trump Account:

1. A "pilot program" contribution from the U.S. Treasury of \$1,000 for an eligible child born during 2025-28;
2. A "qualified general contribution" funded by states (or political subdivisions thereof), or Internal Revenue Code ("Code") section 501(c)(3) tax-exempt organizations for members of a qualified class of account beneficiaries;
3. Employer contributions under Code section 128;
4. Rollover contributions from another Trump Account; and
5. Contributions from other sources (such as the account beneficiary, parents or any other person).

Contribution Timing and Limits. No contributions can be made to Trump Accounts before July 4, 2026, and, in contrast to the generally applicable deadline to make IRA

contributions, contributions to Trump Accounts must be made by the last day of the relevant calendar year.

During the growth period, contributions may be made to a Trump Account even if the child does not have includible compensation. Pilot program contributions, qualified general contributions and rollover contributions are not subject to an annual contribution limit. However, for 2026 and 2027, employer contributions and contributions from other sources are subject to an aggregate annual limit of \$5,000 (subject to cost-of-living adjustments after 2027).

Employer contributions (including employee salary reduction contributions) to a Trump Account are made on a pre-tax basis, but non-employer contributions are made on an after-tax basis. A trustee of a Trump Account is required to have procedures in place to monitor and enforce the contribution limit and to comply with reporting requirements.

Employer-based Trump Accounts. Code section 128 provides that employers can make contributions to the Trump Accounts of their employees or employees' dependents, and any such employer contributions are not includible in the gross income of the employee or the employee's dependent. For 2026 and 2027, employer contributions are limited to \$2,500 per employee per year (subject to cost-of-living adjustments after 2027). This annual limit is per employee and not per dependent of the employee; thus, if an employee has more than one dependent that has a Trump Account, the employer may only contribute up to \$2,500 in the aggregate to the Trump Accounts. Employees may make pre-tax salary reduction contributions, which are limited to \$2,500 per year, reduced by the amount of any employer contribution (the limit is subject to cost-of-living adjustments after 2027).

To implement employer-based Trump Accounts, employers must establish a written Trump Account contribution program that is designed for the exclusive benefit of employees to provide contributions to the Trump Accounts of such employees or their dependents. Employee salary reduction contributions would be made on a pre-tax basis under a Section 125 cafeteria plan, and requirements similar to those that apply to Section 129 dependent care assistance programs (regarding discrimination, eligibility, notification, statements, and benefits) will apply to Trump Account programs.

The Notice states the IRS intends to issue rules to coordinate employer-based Trump Account programs with Section 125 plans and guidance regarding nondiscrimination requirements under principles similar to the rules governing Section

129 plans. The Notice further states DOL and Treasury anticipate issuing guidance on how to structure an employer-based Trump Account program to ensure it does not create an ERISA plan.

Eligible investments. During the growth period, funds must be invested in a mutual fund or exchange-traded fund (ETF) that tracks an index of primarily U.S. companies, does not use leverage, does not have annual fees and expenses of more than 0.1% of the balance of the investment in the fund and meets other criteria that the Secretary deems appropriate.

Distributions. In general, distributions from a Trump Account are prohibited during the growth period. There are a few specific exceptions that permit qualified distributions under certain circumstances:

- Qualified rollover contributions to a rollover Trump Account;
- Qualified ABLE rollover contributions at age 17 to an ABLE account (a special type of tax-advantaged savings account for individuals with disabilities) of the account beneficiary;
- Distributions of excess contributions made to the Trump Account; and
- Distributions upon the death of the account beneficiary.

After the growth period, distributions are generally subject to the rules that apply to distributions from a traditional IRA.

Author's Analysis.

Trump Accounts are a novel way to encourage saving for retirement starting at a very young age. Requiring investment in an index fund should result in significant investment growth through retirement. It remains to be seen what level of "buy-in" will occur from individuals and employers. The initial funding of new accounts under the Treasury's pilot program might encourage parents to establish a Trump Account for their children to at least seed the accounts with those contributions. Trump Accounts also might be used as a wealth-transfer vehicle if parents and grandparents make contributions on behalf of their children and grandchildren.

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