June 2026

Cherry Tree Wealth Management

CHERRY TREE WEALTH INSIGHTS: Published by Jared Konen and Brady Bjerke of Cherry Tree Wealth Management, LLC, with insights on investing and wealth management.

TRUMP ACCOUNTS

On July 4, 2026, a new type of tax-advantaged savings account becomes available for children under the age of 18; the Trump Account. Created by the One Big Beautiful Bill (BBB) passed in 2025, these accounts have generated notable headlines which have led to some understandable confusion.

Below is a plain-English breakdown of the new investment accounts:

What exactly is a Trump Account?

A Trump Account is, at its core, a traditional IRA for a child, with a unique set of rules that apply during what the law calls the "growth period" (from birth through December 31 of the year before the child turns 18). After the growth period ends, the account converts to a standard traditional IRA and behaves like any other IRA from that point forward.

An account can be opened for any U.S. citizen under the age of 18 who has a valid Social Security number. Accounts will be established by either filing IRS Form 4547 with your tax return or through the online portal trumpaccounts.gov.

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Who can Open a Trump Account?

Only a child's legal guardian can open a Trump Account for them. Biological and adoptive parents take precedence. If a parent is in the picture, no one else can open the account. When parents aren't available, the responsibility passes on to an adult sibling, and if there's no adult sibling either, a grandparent can step in. A beneficiary can only have one active Trump account at any time.

How Much can be Contributed?

Anyone (parents, relatives, friends) can contribute, but total combined individual contributions cannot exceed the aggregate annual limit of $5,000 per child. Employers can also contribute up to $2,500 per year (this total is per employee, not per child). This counts toward the overall $5,000 annual limit, but it is excluded from the employee's taxable income. The contribution limit will increase with inflation starting in 2028.

What is the $1,000 Government Seed?

The seed is available for children born between January 1, 2025, and December 31, 2028. It is excluded from the annual contribution limit, and the $1,000 is contributed as pre-tax basis (meaning the $1,000 plus any growth on it will eventually be taxed as ordinary income when withdrawn). There are also some Qualified General Contributions (QGC's) from qualified charities and philanthropic foundations that are available, but to take part in those the beneficiary must meet certain parameters. One example of this would be the Michael and Susan Dell Foundation. They pledged $6.25 billion to provide an additional $250 contribution for qualifying children aged 0-10, born before 2025, and residing in ZIP codes with a median income below $150,000.

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Key Considerations

- **Custodian Restriction:** Currently, Robinhood serves as the only brokerage platform investors can access. You can not open and fund a Trump account through Schwab or Fidelity. You may eventually be able to transfer an account to those custodians, but the availability and timing on that remains uncertain as of now.
- **Tracking Cost Basis:** Because contributions are made with after-tax dollars, families must keep Form 8606 on file every year to prove what's already been taxed. If those records are lost over the next 18+ years, the child could end up paying tax twice on the same money.
- **Tax Treatment:** Contributions aren't tax-deductible, earnings grow tax-deferred, and withdrawals are taxed as ordinary income rather than at favorable long-term capital gains rates. Unless the beneficiary meets a penalty exception (qualifying higher education expenses, first-time home purchase, or certain unreimbursed medical expenses), non-qualified withdrawals before age 59.5 will also incur a 10% excise tax.
- **Gift Tax Paperwork:** Trump Account contributions don't qualify for the usual annual gift tax exclusion. Since the contribution can't be accessed by the beneficiary until their age 18 year, it is classified as a future value gift. So, a Form 709 gift tax return must be filed for every contribution. Most do-it-yourself tax software doesn't support this form. These gifts will also count against your lifetime federal estate and gift tax exemption ($15 million per individual in 2026).
- **Kiddie Tax:** When these accounts were first introduced, many people thought that you would be able to convert the account balance to Roth at little-to-no cost once the beneficiary reached their age 18 year. However, unless the child provides over 50% of their own financial support through earned income, the kiddie tax applies. Under the kiddie tax, for dependent children under age 19, or full-time students under age 24, unearned income is subject to special tax brackets. Unearned income up to $1,350 is tax-free, and the next $1,350 is taxed at the child's marginal rate, but any amount beyond that is taxed at the parents' marginal rate (typically much higher).

Final Thoughts

A small portion of our clients will be eligible to open a Trump Account (legal guardian of a child under the age of 18). For those contemplating whether to open one, or to suggest a family member/friend open one, we would strongly recommend a more detailed analysis of your goals for the savings. A Trump Account is truly a retirement account intended to jumpstart the retirement savings of a minor. If your goal is to fund a child's education, a 529 is still the superior account structure for that. If "free money" is available to your child via the government seed or a QGC, it's worth your time to consider opening an account. However, further contributions to the account will come with a higher degree of complication. Communication with the child will also be paramount as they approach age 18. At that point, the account and the money within it will shift into their name and be their responsibility. They will need to know how to track the basis in the account, execute a Roth conversion, pay the taxes owed, etc.

If you have any questions about Trump accounts and how they pertain to your unique financial plan, please reach out to your team at Cherry Tree Wealth.

Cherry Tree Wealth Management, LLC (CTW) provides unique wealth management services for a select group of client families to help give them peace of mind. Author Jared Konen has over six years of experience in a variety of roles in the Wealth Management industry, which have included financial planning, trading, tax strategizing, and estate planning.Please FORWARD this e-mail to friends/relatives/business associates that you think may have an interest. Visit our website at http://www.cherrytreewealth.com.

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