

CARDINAL ADVISORS

Trump Savings Accounts/Tax-Advantaged Accounts For Children

In the video titled "Trump Savings Accounts/Tax-Advantaged Accounts For Children" Hans and Tom use the following documents to discuss IRA's.

TRUMP SAVINGS ACCOUNTS/TAX-ADVANTAGED ACCOUNTS 4 CHILDREN			
S.S. ☐	-OBBA SIGNED INTO LAW JULY 2025 -ENCOURAGE LONG-TERM SAVINGS CHILDREN -HIGHER EDUCATION, FIRST HOME, STARTING BUS -BABIES BORN 1/1/2025 - 1/1/2028 SEED 1,000 -CHILDREN ALREADY BORN UNDER 18 CAN OPEN -PARENTS, RELATIVES, GUARDIANS, EMPLOYERS CAN CONTRIBUTE -UP TO 5,000 ANNUALLY CONTRIBUTED AFTER TAX -GROWS TAX DEFERRED -CUSTODIAN TRACKS BASIS/TAX DEFERRED GROWTH -BENEFICIARY TURNS 18, BENEFICIARY IS OWNER -FUNCTIONS LIKE A TRADITIONAL IRA -ORDINARY INCOME TAX UPON WITHDRAWAL -NO PENALTIES IF WITHDRAWN FOR RIGHT PURPOSE -NOT AVAILABLE UNTIL JULY 2026	<u>ALTERNATIVES</u> <u>529 COLLEGE SAVINGS PLAN</u> -MUST BE USED FOR EDUCATION -TAX-FREE IF USED FOR EDUCATION -MONEY STAYS IN PARENTS NAME -CAN BE CONVERTED TO ROTH -HIGHER LIMITS <u>I-BONDS</u> -IF USED FOR EDUCATION - TAX FREE -HIGHER LIMITS <u>LIFE INSURANCE</u> -TAX DEFERRED OR TAX-FREE -USED FOR ANY PURPOSE -HIGHER LIMITS	<u>INCOME</u> ☐ <u>ESTATE</u> ☐ <u>TAXES</u> ☐
MED ☐			
LTC ☐			
401K/ IRA ☐			

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Oct. 2025

Trump Savings Accounts: The Hidden Tax-Reporting Challenge

Basis tracking makes Trump accounts more complex than they appear.



[Denise Appleby](#) • Sep 11, 2025

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The Trump Savings Account is one of the most talked-about provisions of the “One Big Beautiful Bill Act.” Marketed as a way to give children under age 18 a head start on saving for retirement, these accounts bring both opportunity and complexity. While the contribution rules are fairly straightforward, the tax-reporting requirements

present a more nuanced challenge that has been left out of discussions. Let's start talking about it now.

Tax Reporting: Basis vs. Taxable Amounts

The OBBBA requires custodians to maintain a clear separation between the investment in the contract (basis) and taxable amounts for a Trump account. This distinction matters because distributions of basis are nontaxable, whereas distributions of other amounts are taxable.

Only the amounts that the parents, guardians, other private contributors, or the beneficiary put into the Trump account, where no special tax exclusion applies, will count as the beneficiary's basis.



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A \$1,000 pilot program deposit from the federal government, qualified general contributions from other government programs or charities, and employer contributions are treated as pretax amounts. These do not count as aftertax

contributions and will be fully taxable when withdrawn.

In the year the beneficiary turns 18, a Thrift account starts following the same rules as a traditional IRA. If the account's aftertax contributions are not tracked correctly, the IRS could treat the entire distribution as taxable, even on money that has already been taxed. That is why knowing the differences between account types is so important.

IRAs do not require custodians to track basis. For traditional IRAs, basis reporting is the taxpayer's responsibility and handled via IRS Form 8606. IRS Form 8606 is filed with the IRS and shows how much of an IRA distribution is tax-free because it is attributed to basis.



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By contrast, 529 plans and Education Savings Accounts already require custodians to track basis separately from other amounts. Distributions from 529 and ESAs are reported on Form 1099-Q.

Form 1099-Q shows the total amount distributed, how much was from contributions (basis), and how much was from earnings.

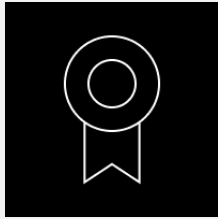
For more information, see my video [“The 2025 1099-Q Has Been Issued.”](#)

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While the Trump account statute requires trustees to report the account's investment in the contract (basis), the current Form 1099-Q instructions for 529 plans and ESAs state that basis reporting is required only if the custodian can determine the amount. Whether the IRS will carry this qualifier over to Trump account reporting remains unknown. Nevertheless, the Trump account tax-reporting requirement aligns much more closely with 529s and ESAs than with IRAs, making custodians that already have systems for tracking basis and earnings best positioned to handle Trump Savings Accounts without major operational changes.

Note: When figuring out the taxable and nontaxable parts of a withdrawal, the IRS calculates them separately for Trump accounts and for other IRAs. In other words, the basis in a Trump account is not combined with the basis in any other IRA you might own.

Why 529/ESA Platforms Are the Logical Custodians

Custodians that only offer IRAs face a significant challenge, as they would have to

develop new operational systems to track basis in Trump accounts. This would likely require an overhaul of their systems so they can perform the required tax reporting. Given that Trump Savings Account balances will likely be small in the early years, the cost of building this infrastructure for a niche product is hard to justify. This issue presented itself for ESAs, where the contribution limit has been only \$2,000 since 2001.

By contrast, custodians that already administer 529 plans or ESAs have the infrastructure in place to:

- Track the tax character of contributions and growth.
- Generate annual statements showing the basis.
- Issue tax forms that properly allocate basis versus earnings portion of a distribution.
- Handle transfers or rollovers using established processes.

From both a compliance and efficiency standpoint, 529/ESA custodians are positioned to take on Trump accounts without major operational disruption.

A Role for the IRS: Streamlined Reporting

The IRS also has an opportunity to simplify administration by adding the Trump account to the list of accounts reported on Form 1099-Q. A parallel could be drawn from how Form 1099-Q is used for 529 plans and ESAs, which separates the amount into gross distribution, basis, and earnings. This leveraging of Form 1099-Q for Trump accounts would keep the reporting consistent, without introducing another specialized form.

The Onerous Reporting of Rollovers, and Its 30-Day Deadline, Is a Pile-On

When a qualified rollover contribution is made between two Trump accounts, the recipient custodian must notify the IRS within 30 days. The report must include:

- The beneficiary's name, address, and Social Security number.
- The trustee's name and address.
- The account number.
- The trustee's routing number.
- Any other information the IRS requires.

This reporting requirement applies only while the beneficiary is under age 18. Once the calendar year ends in which the beneficiary turns 17, the trustee no longer has to submit these rollover contribution reports.

For 529 plans, there is already a well-established reporting requirement when money is transferred directly from one plan to another. In a trustee-to-trustee rollover, the 529 plan sending the funds must tell the receiving plan how much of the transfer represents earnings. This statement must be provided within 30 days of the rollover or by Jan. 10 of the following year, whichever comes first.

Could that same platform be easily adapted for Trump accounts? Possibly. But, if not, a question for the IRS is: Why not wait until May 31 of the following year to issue a report to the IRS, as it is with ESAs?

Note: A Trump account qualified rollover contribution must be a direct trustee-to-trustee transfer. Before the year the beneficiary turns 18, the rollover must be of the entire account balance for that beneficiary; partial rollovers are not permitted.

Transition at Age 18: A Practical Solution

Under current law, in the year the beneficiary turns 18, the Trump account simply

becomes subject to the regular traditional IRA rules. There is no statutory requirement to transfer the account to a different IRA at that time.

As a best-practice and potential IRS policy recommendation, a direct trustee-to-trustee transfer of the Trump account to a traditional IRA could be permitted or encouraged, with the transferor custodian reporting the earnings and any basis. This approach would mirror the 529-to-Roth IRA rollover via trustee-to-trustee transfer process and help ensure accurate basis tracking for future withdrawals.

Under this proposal:

- The transferor custodian must disclose how much of the account represents earnings.
- If the transferor custodian is able to track basis, that information would be included in the tax reporting and statement for the transfer, allowing the beneficiary to record the basis on Form 8606, ensuring proper tax treatment for future withdrawals.
- The transferee custodian would merely report the amount on IRS Form 5498, as instructed by the IRS. Hopefully, there is no annual limit to such transfers, as there is with the 529-to-Roth.

This process would align with existing precedent, reduce administrative confusion, and safeguard taxpayers from avoidable tax-costing errors.

Industry Impact: What Firms Should Be Doing Now

While the first Trump accounts may not open until 2026, custodians and the IRS cannot afford to wait until launch day to work out the operational details. Firms who plan to offer Trump accounts should already be:

- **Assessing system readiness:** Custodians that do not offer 529s or ESAs need to

decide whether to invest in building tracking systems or to opt out of offering Trump accounts.

- **Planning the transition process:** Firms that will handle Trump accounts should establish procedures for communicating basis and earnings at the age-18 conversion.
- **Engaging in industry dialogue:** Custodians, trade groups, and policymakers should work together to push for IRS guidance on reporting and transitions.

For custodians that lack 529 or ESA experience, the cost-benefit calculation is simple: Building a new platform for modest-balance accounts may not be worth it. Partnering with or referring to a custodian already experienced with basis tracking may be the more prudent choice.

For Custodians:

- Conduct a gap analysis comparing Trump account reporting requirements with your current system capabilities.
- Engage legal and compliance teams now to anticipate IRS guidance.
- Consider partnerships with 529/ESA platforms if building infrastructure in-house is cost-prohibitive.

For Policymakers/IRS:

- Clarify age-18 rollover procedures and confirm whether basis tracking must transfer.
- Align Trump account reporting deadlines with ESA timelines to reduce operational strain.
- Issue guidance on acceptable forms for Trump account distributions to avoid a new specialized reporting form.

The Bottom Line

The Trump Savings Account may be new, but its operational challenges are familiar. It will succeed best in the hands of custodians already experienced with basis and earnings tracking, primarily those that offer 529 plans and ESAs.

For IRA-only custodians, building a new reporting infrastructure for accounts with small balances will be an uphill battle. The IRS can ease the transition to these by permitting trustee-to-trustee transfers to traditional IRAs at age 18, ensuring accurate basis reporting and preventing tax errors.

With clear guidance and the right custodial infrastructure, the Trump account can fulfill its intended purpose without creating unnecessary administrative or tax complexity.

Unless the industry addresses the reporting and operational challenges now, Trump accounts risk becoming another underutilized program like the ESA and the Saver's Credit. To ensure the Trump account meets its promise, custodians, policymakers, and advisors must act in concert and act early.

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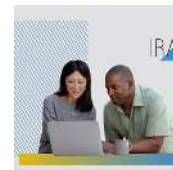
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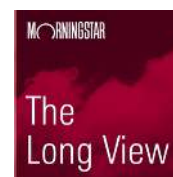
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United
States

Effective July 4th, 2026, parents and others can contribute up to a total of \$5,000 per year on behalf of a child. Contributions by employers and nonprofits are also permitted.

Accounts for babies born between January 1, 2025 and December 31, 2028 will be seeded with a one-time government contribution of \$1,000.

Trump savings accounts" refer to a new, tax-advantaged savings program created for U.S. children under the "One Big Beautiful Bill Act," which was signed into law in July 2025. These accounts are designed to encourage long-term saving for future expenses like higher education, buying a first home, or starting a business.

Key features

- **Initial deposit:** For a pilot program, any U.S. citizen child born between January 1, 2025, and December 31, 2028, with a valid Social Security number will receive a one-time \$1,000 deposit from the federal government. Other children under 18 can open an account but are not eligible for the government's initial deposit.
- **Contributions:**
 - Parents, relatives, and guardians can contribute up to \$5,000 annually until the child turns 18. These are after-tax contributions.
 - Employers can contribute up to \$2,500, which counts toward the annual \$5,000 cap and is not included in the employee's taxable income.
- **Investment and growth:** The funds are invested in low-cost, U.S. stock index funds and grow tax-deferred.
- **Withdrawal rules:**
 - No withdrawals are allowed before the year the child turns 18.
 - Once the beneficiary is 18, the account functions like a traditional IRA.
 - Taxable earnings and government contributions are subject to ordinary income tax upon withdrawal.
 - Penalties for early withdrawals may apply for non-qualified expenses before age 59½.

- **Administration:** A parent or guardian must open and manage the account until the child reaches 18.

How they compare to other savings options

- **Less favorable tax treatment:** Unlike 529 plans or Roth IRAs, the earnings in a Trump Account are taxed as ordinary income upon withdrawal, which may be a higher rate than the capital gains tax you would pay in a standard brokerage account.
- **Less flexibility:** For those saving specifically for education, a 529 plan generally offers greater tax advantages and more flexibility.
- **Primary benefit is the initial deposit:** Financial experts suggest the primary incentive of a Trump Account is the government's free \$1,000 seed money, which is difficult for parents to turn down. However, they recommend that families consider other tax-advantaged accounts for their own additional contributions.

Key features

- **Eligibility:** Children under 18 years old with a Social Security number can have a Trump Account opened on their behalf.
- **Government Contribution:** Children born between **January 1, 2025, and December 31, 2028**, are eligible for a one-time **\$1,000** federal government contribution into their Trump Account. This contribution doesn't count towards annual contribution limits.
- **Contributions:** Parents, relatives, and employers can contribute up to a combined annual limit of **\$5,000**, with employer contributions capped at **\$2,500** of that total. Employer contributions are not included in the employee's taxable income. State and local governments and charities can also contribute, and their contributions do not count toward the **\$5,000** limit.
- **Account Opening:** The accounts will not be fully operational until **July 2026**. Parents or guardians can generally open the account through a bank or other financial institution.

- **Investment Options:** Funds in a Trump Account must be invested in low-cost mutual funds or exchange-traded funds that track a broad US-equity index, like the S&P 500, with annual fees capped at **0.1%**.
- **Tax Treatment:** Earnings grow tax-deferred. Contributions made by parents, guardians, and individuals are after-tax and are not taxable when withdrawn. Employer contributions, the **\$1,000** federal contribution, charitable gifts, and all earnings are taxed as ordinary income when withdrawn.
- **Withdrawals:** Withdrawals are generally not permitted before the child turns 18. After age 18, the account functions like a traditional IRA, subject to potential early withdrawal penalties before age **59½** for non-qualified expenses. Exceptions for early withdrawal penalties include expenses for higher education, a first-time home purchase (**up to \$10,000**), disaster relief (**up to \$22,000**), and birth or adoption expenses (**up to \$5,000**).

Comparison to other accounts

Trump Accounts share similarities with Traditional IRAs, but have different contribution and withdrawal rules before the child reaches adulthood. They also differ from 529 plans, which offer tax-free withdrawals for qualified education expenses and a wider range of investment options.