

Trump Accounts vs. 529 vs. UTMA – Which is best for your family?

Understanding Trump Accounts

Trump Accounts (also known as 530A accounts) are a new tax-advantaged savings vehicle created under the One Big Beautiful Bill Act of 2025. Designed to give American children a strong financial head start, they function like custodial traditional IRAs for minors.

Current roll out date is July 4th, 2026 – but you can begin the opening process now with the following link - <https://trumpaccounts.gov/>.¹

Key Features:

- **Eligibility:** U.S. citizen children under age 18 with a valid Social Security number. One account per child.¹
- **Government Seed:** \$1,000 federal contribution for children born January 1, 2025 – December 31, 2028 (pilot program).¹
- **Contributions:** Up to \$5,000 per year (after-tax, non-deductible; indexed in future years) from parents, grandparents, family, or others. Employers may contribute up to \$2,500 (with potential tax benefits).¹
- **Investments:** Primarily broad U.S. stock market index funds (limited options initially).¹
- **Tax Treatment:** Growth is tax-deferred. At age 18 (or January 1 of the year the child turns 18), the account converts to a traditional IRA. Withdrawals are taxed as ordinary income; early withdrawals (before 59½) may incur a 10% penalty.²
- **Access & Control:** Locked until age 18 (custodial management by parent/guardian). After 18, the child gains full control for uses like retirement, education, home purchase, or business startup (subject to IRA rules).²
 - Eligible, penalty free withdrawals, are certain education expenses, first time home purchase (up to \$10,000), birth or adoption costs (up to \$5,000), qualifying medical expenses, disability, or terminal illness.²

Feature	Trump Account	UTMA/UGMA	529 Plan
Primary Goal	Long-term wealth building / retirement	Flexible use for child's benefit	Qualified education expenses
Tax on Growth	Tax-deferred; taxed as ordinary income on withdrawal	Kiddie tax on earnings (annual taxation)	Tax-free for qualified education
Annual Contribution Limit	\$5,000	No limit	Very high (gift tax limits; state caps often \$300K-\$600K+)
Control	Custodial to 18; then child's	Transfers to child at 18-21 (state law)	Parent retains control indefinitely
Withdrawal Flexibility	Limited pre-18; broad post-18 (IRA rules)	Very flexible anytime	Education-focused (penalties otherwise; some K-12/trade flexibility)
Government Seed	\$1,000 (eligible births)	None	None (some state matches)
Financial Aid Impact	Treated as child asset post-18	High (child asset)	Favorable (parent asset)
Investment Options	Limited (U.S. index funds)	Broad	Wide range, including age-based

Quick Comparison: Trump Accounts vs. UTMA/UGMA vs. 529 Plans³

Key Trade-offs: Trump Accounts offer “free” seed money and disciplined long-term growth but have lower limits, restricted investments, and future taxation. UTMA provides maximum flexibility at the cost of control and taxes. 529s remain superior for education due to tax-free qualified withdrawals and higher limits.

Our Thoughts

We recommend a **layered, multi-account approach** tailored to your family’s goals, cash flow, and time horizon. For children born between 2025 and 2028, we strongly

recommend opening a Trump Account to capture the \$1,000 government seed contribution — in most cases, this is a straightforward opportunity to build long-term wealth. For children born outside that window, we generally favor a combination of 529 Plans and selective UTMA/UGMA accounts, which often provide greater flexibility and tax advantages tailored to education and other near-term goals.

1. **Open a Trump Account promptly for children born 2025–2028** to secure the \$1,000 government seed and begin compounding. Decide, based on the chart above, what your long-term goals are for your child if you would like to contribute more.
2. **Maximize 529 Plans** for education savings. Their tax-free growth for qualified expenses and flexibility (beneficiary changes, Roth rollovers in some cases) make them the cornerstone for college or K-12 costs. For most people, we recommend \$5-10K of savings per year, but it strongly depends on if you prefer public vs. private schooling.
3. **Use UTMA/UGMA selectively** for goals requiring early access or broad flexibility (e.g., non-education needs), while being mindful of kiddie taxes and loss of control at majority. This is a great wealth building account that will provide your kids early access to funds vs. the Trump account.

Next Steps:

- Check eligibility and open Trump Accounts via trumpaccounts.gov or Form 4547 starting July 2026.
- We can run personalized projections (e.g., \$1,000 seed + \$5K/year at assumed returns) and coordinate with your overall estate and financial plan.
- Review for gift tax implications and financial aid strategies.

Trump Accounts add a powerful new tool to the savings toolkit. Combining them strategically with 529s and limited UTMA use can create robust, tax-efficient wealth for your children. Contact us to discuss your family's situation and implement the optimal plan.

This is general educational information, not personalized tax, legal, or investment advice. Tax laws and program details may change; please consult qualified professionals.

Steward Partners Wealth Managers do not offer tax advice. Individuals should consult their personal tax advisor before making any tax-related investment decisions.

¹: <https://trumpaccounts.gov/>

²: <https://www.fidelity.com/learning-center/personal-finance/trump-accounts>

³: <https://www.savingforcollege.com/article/trump-account-vs-529>

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