

Savings vehicles for minors



With the launch of Trump Accounts, you may have questions about how savings accounts for minors can be used in specific situations. This comparison chart can help you sort out the options, considering factors such as goals, contribution limits and tax treatment.

Account	Trump Account (TA)	Custodial IRA*	UTMA/UGMA	529 Plan
Account type	\$530A/OBBBA 2025 New – July 2026, retirement vehicle	Traditional/Roth Retirement vehicle	Taxable custodial investment account Broad-use savings	Qualified tuition plan Education focused
Annual contribution limit Per-child cap	\$5,000/year; \$1,000 government and charitable contributions do not count toward limit	Lesser of \$7,500 (2026) or 100% of child's earned income	None	No federal limit; state caps on lifetime contributions vary.
Earned income required	No	Yes	No	No
U.S. gov't seed grant	\$1,000 for children born 1/1/25–12/31/28 (U.S. citizens)	None	None	None
Employer contributions	Yes – Up to \$2,500 per employee, including contributions through Section 125 cafeteria plan	Counts against child's IRA limit	Yes	Yes
Contributions qualify for annual gift tax exclusion?	Yes, subject to certain requirements, including that the donor's total gifts to the child for the calendar year, including Trump Account contributions, do not exceed the annual gift tax exclusion amount (\$19,000 in 2026)	Yes, up to \$19,000 per donor per child (2026 limit)	Yes, up to \$19,000 per donor per child (2026 limit)	Yes, up to \$19,000 per donor per child (2026 limit)
Age cutoff for contributions	December 31 of the year the beneficiary turns age 17 (the "growth period")	None	None	None
Contribution deductibility	Contributions from individuals are after-tax, employer contributions are pre-tax	Traditional: deductible depending on income level and tax status Roth: after-tax	After-tax; no deduction	Federal: after-tax States: may allow deduction or credit for in-state plan
Growth/accumulation (earnings)	Tax-deferred	Traditional: tax-deferred Roth: tax-free if qualified withdrawal	Fully taxable annually	Tax-deferred; tax-free for qualified educational expenses
Kiddie tax (\$1(g)) exposure Unearned income taxed at parent's rate	No – tax-deferred (Roth conversion may trigger kiddie tax)	No – Traditional: tax-deferred. Roth: tax-free	Yes	No – no current income recognition
Investment options	U.S. equity index funds only until child turns 18	Wide choice of investment options	Wide choice of investment options	Investment options vary by plan

*IRA = Individual Retirement Account

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

Account	Trump Account (TA)	Custodial IRA	UTMA/UGMA	529 Plan
Restrictions on use of funds	Distributions prohibited during the growth period; traditional IRA rules apply after age 18	Funds may be used for any purpose; taxes and penalties may apply	For minor's benefit only while custodial; unrestricted once control transfers to child	Can be used for college tuition and a wide range of other qualified education expenses
Federal tax treatment of distributions	Starting in the year the child turns 18, traditional IRA rules generally apply	Traditional: treated as ordinary income. Roth: tax-free (if qualified)	Long term capital gains on appreciation; ordinary income on dividends/interest	Tax-free if used for qualified educational expenses (otherwise subject to taxes and penalties)
Account ownership	Child owns	Child owns	Child owns	Account owner owns and can change beneficiary
These accounts are great for	• Jump-starting the child's retirement savings. • Potential for tax-efficient Roth conversion planning in early adulthood, subject to tax rules. • Capturing government seed money, employer and charitable contributions.	• Jump-starting the child's retirement savings. • Long-term of tax-advantaged compounding. • Roth IRA: contributions made at the child's low tax rates	• Flexibility: beneficiary can use funds for any purpose after control transfers. • Managing kiddie-tax exposure: harvest gains up to the \$2,700 (2026) threshold.	• Tax-advantaged education savings plus account-owner control and estate reduction. • Flexibility: broad uses and beneficiary can be changed.
Potential planning limitations include	• Child can gain control at age 18. • Must be established through U.S. Treasury • Basis tracking can be complex: multiple contribution types are taxed differently on distribution, increasing administrative and reporting burden.	• Child can gain control at age of majority; early withdrawals subject to penalties. • Earned income required: contributions capped by the child's actual wages or self-employment income.	• Child can gain control of the assets at state age of majority without restrictions. • No tax-advantaged growth.	• K-12 use is capped at \$20,000 per year/per beneficiary, and state tax treatment varies. • If withdrawals are used for non-qualified expenses, taxes and penalties apply.

This material does not constitute legal or tax advice. Investors should consult with their legal or tax advisors.

529 plans are state-sponsored investment programs; features, fees, risks, and potential state tax benefits vary by plan – review official disclosure documents before investing.

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