BROADHURST
Financial Advisors, Inc.

# A Smaller Piece of the Pie

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Amid the tax cuts, and making other cuts permanent, the One Big Beautiful Bill Act gave Americans something called the Trump Account, otherwise known as a 530A account after the new revenue code that created it. Parents could open one of these accounts for any child (or grandchild) born in 2009 or later, and contribute $5,000 a year that would compound tax-free. The account would be required to invest in a low-cost index ETF that would grow as the child grew until, at age 18, the account would become an IRA in the child's name.

At no time can the child, or parents, take distributions from the account, and the child would not be able to take money out of the IRA, without penalty, before turning age 59 1/2. Basically, the Trump Account is a retirement account for babies.

To create this account after the bill passed, all a parent had to do was file IRS Form 4547 or sign up through the official Trump Account (TrumpAccounts.gov) website. One might imagine how the government staffers waited breathlessly for millions of Americans to jam the website trying to children enrolled so that 50 years later they could begin taking out some of the money for lifestyle and retirement expenses. But… let's just tactfully say that a lot of families never got around to it.

So what does the government do with a manifestly unpopular program? It gives it to you anyway. As of September 30, the government formally enrolled every child who was born in 2009 or later, who also has a Social Security number—60 million in all—in their own Trump Account. Children born after December 31, 2024 and before January 1, 2029 also received $1,000 in seed money in the account. To sweeten the deal, Elon Musk has promised to donate a share of SpaceX stock to every claimed account.

In order for the account to become active, a parent or guardian must claim the automatically-created account in the child's name. That means they have to prove who they are, show that they have legal authority over the child's account and sign some consent forms so the Treasury Department can share the child's information with them. That gives them the right to sign the account agreement and start contributing.

Is it legal for the government to open an account for your child without asking? Apparently yes; and you have to admit it's a … *creative* fix for the lack of demand for these accounts. It will be interested to see how many parents decide to claim their children's accounts (and that share of SpaceX), and perhaps even more interesting to see how many scammers get away with convincing parents to give away their kids' Social Security numbers and maybe even their accounts over the confusion around the enrollment process. But all that aside, if you want to invest money that your child will have available when he or she reaches retirement age, this is the opportunity for you.

Sources:

https://en.wikipedia.org/wiki/Trump_account

https://www.moneytalksnews.com/trump-accounts-are-going-automatic-things-parents-must-know-now/

If you have any questions about this article or want to discuss your family finances, investment portfolio, or financial planning advice, please call on me anytime at my number (215) 325-1595 or you can click here to schedule a meeting.

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