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“Someone is sitting in the shade today because someone planted a tree a long time ago.”
- Warren Buffett

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Trump Accounts: A Golden Leg of the Legacy Stool

If you've spent any time watching the news recently, it can feel as if you're standing in a relentless policy hurricane. In a wind tunnel defined by rapid-fire headlines—from defense initiatives like the “Golden Dome” to the drug-pricing shifts of “TrumpRX”—it is easy to miss messages in the noise. Yet, tucked away in the middle of these dizzying announcements is a policy with the potential to have the longest lasting impact: Trump Accounts. While other initiatives address the challenges of today, this new vehicle is designed to solve a different problem entirely, providing a foundation for your family's multi-generational legacy.

Since its announcement in the One Big Beautiful Bill, we've received a handful of questions from parents and grandparents trying to understand the significance of these new accounts and how they fit into an overall plan. Is this meant for education and does it replace 529 plans? Are there restrictions on investments? When and how could the beneficiary access these funds? The reality is that Trump Accounts are not a replacement for your existing strategy; they are a complementary tool designed to bring balance and allow American youth to begin saving on a tax-deferred basis before they begin working.



The Basics

Trump Accounts are federally seeded investment vehicles designed to grant the next generation of Americans a financial head start by extending the IRA model back to birth and unleashing two decades of compounding growth typically unavailable to minors. The program provides every American child born between 2025 and 2028 with a \$1,000 U.S. Treasury seeded investment which parents can claim while filing their taxes (via Form 4547) or through [TrumpAccounts.gov](https://www.trumpaccounts.gov)². Note, while elections may begin with 2025 returns, the accounts will not be officially funded or open for further contributions until July 5, 2026.

How Trump Accounts Work

Once active, the program allows for aggregate total annual contributions of \$5,000 from any source (excluding the initial Treasury seed deposit), a limit that will be indexed for inflation after 2027. Any contributions would be counted as a portion of the annual gift tax exclusion (\$19,000 for individuals, \$38,000 for married couples in 2026). While deposits are not tax-deductible, a key headline of Trump Accounts is that employer contributions to an employee's dependent are not taxable income to the worker. So, it's possible employers will pursue Trump Accounts as a new employee benefit. More significantly, Trump Accounts remove the standard “earned income” requirement of Traditional or Roth IRAs, so contributions can be made for anyone under age 18 who otherwise qualifies. This shift from traditional rules allows a child's savings to benefit from tax-deferred growth, effectively treating a toddler's portfolio with the same compounding advantages usually reserved for the adult workforce.

Trump Accounts offer the same tax-deferral as an IRA but with restrictions and guardrails. During the first eighteen years, the investments must stay in low-cost U.S. index funds, and the account is closed to early withdrawals. This keeps the funds diversified, at least domestically, without the ability to access high risk or speculative investments.

Once the child reaches adulthood, the account transitions into a Traditional IRA, opening investment flexibility and providing limited access. Similar to an IRA, any earnings on withdrawals would be taxed as ordinary income to the (now adult) beneficiary, and any withdrawals prior to age 59 ½ would also incur a 10% penalty. However, there are several exceptions to the 10% penalty, including secondary education and first-time home purchases (up to \$10,000).

Hypothetical Example

To illustrate the potential long-term impact of Trump Accounts, consider an American child born in 2026. Parents establish the account via [TrumpAccounts.gov](https://www.trumpaccounts.gov), and the child receives the \$1,000 starter deposit from the U.S. Treasury. The family gifts the total aggregate limit of \$5,000 annually, increasing as contribution limits rise with inflation. Contributions then continue through age 10, at which point no additional deposits are made.



For this hypothetical we will use moderate assumptions of 2% inflation and a 6% average return over the life of the Trump Account (since 1950, inflation has averaged 3.8% and the S&P 500 has returned roughly 11.7%)³. Under these assumptions, total contributions over the first ten years would be about \$60,000. Although results are not guaranteed, fast forward to age 18 and the account would have grown to approximately \$139,000. If left untouched and allowed to

continue compounding at the same rate, the (now Traditional IRA) balance could exceed \$2,000,000 by age 65. Even with no additional contributions after age 10, this example demonstrates how time and early frontloaded savings can turn modest deposits into meaningful long-term wealth.

Final Thoughts

Given their design, Trump Accounts are best used as a complement, serving as the third leg that brings balance to the overall legacy stool. In this analogy, each “leg” plays a distinct role: 529 plans are built for education-specific expenses, UTMA’s provide flexible investment options and early access for a wide range of needs, and Trump Accounts introduce a tax deferred retirement foundation that begins compounding from birth. Together, these three vehicles support different aspects of a child’s financial life, creating a more stable and well-rounded legacy plan. While new policies and headlines may be flying by and ever changing, establishing a legacy plan requires balance, consistency, and time. Investors should carefully consider their individual financial situation and objectives before making any investment decisions. If you’d like to discuss how Trump Accounts may fit into your larger plan, Naples Global Advisors is here to help.

1. Internal Revenue Service. (2025). Guidance on Trump Accounts established under the Working Families Tax Cuts (Notice 2025-68). U.S. Department of the Treasury. <https://www.irs.gov/pub/irs-drop/n-25-68.pdf>

2. U.S. Department of the Treasury. (n.d.). Trump Accounts: Building a future for the next generation. <https://www.trumpaccounts.gov/>

3. Kelly, D. P., Jackson, J. K., Manley, J. C., Pandit, M., Santos, G. D., Mulvihill, A., Aliaga, S., Gauba, S., Hall, B., Korngiebel, K., & Papa, G. (2026). *Guide to the Markets – U.S.* (Q1 2026). J.P. Morgan Asset Management. <https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/guide-to-the-markets/>



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