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Compliance Alert!

Trump Accounts: A New Family Friendly Benefit Employers May Want to Watch

The One Big Beautiful Bill Act created Trump Accounts, a new tax-advantaged investment account designed to help eligible children build long-term savings for education, homeownership, and retirement.

What are Trump Accounts?
Trump Accounts may be established for children under the age of 18 with a valid Social Security Number. In addition, children born between **January 1, 2025, and December 31, 2028,** are eligible for a **$1,000 federal "seed" contribution**.

Total annual contributions are generally limited to **$5,000 per year**. These funds are invested for long-term growth, and the account is managed by an adult custodian until the child reaches adulthood.

Will Trump Accounts be subject to ERISA?
The U.S. Department of Labor has announced that Trump Accounts will generally not be treated as ERISA-covered employee pension benefit plans as long as employee participation is voluntary and the employer does none of the following:

- Impose restrictions on the use of the account beyond those permitted by the Internal Revenue Code
- Make or influence investment decisions
- Represent the program as an ERISA plan
- Receive compensation in connection with the accounts

Can Employers make contributions to Trump Accounts as an employee benefit?
Yes. Employers may contribute to eligible Trump Accounts as part of their employee benefits strategy, subject to statutory limits and future regulatory guidance. Employers may contribute up to $2,500 annually to eligible Trump Accounts, subject to statutory limits and future regulatory guidance. Qualifying employer contributions are generally excluded from taxable income, subject to IRS rules. The $2,500 limit applies per employee, not per dependent. Contributions for multiple children of one employee are aggregated.

Employers may also extend existing payroll deduction programs to permit employee contributions to Trump Accounts, provided the employer does not endorse the program in a manner that would create ERISA coverage.

What should Employers do next?
Although authorized, important implementation questions remain. Before adopting this benefit, employers should:

- Monitor IRS and Department of Labor guidance
- Review employer contribution requirements as additional guidance is issued
- Evaluate whether Trump Accounts fit your organization's benefits strategy

Until additional guidance is issued, most employers will likely want to monitor developments rather than implement a Trump Account benefit immediately.

HR@Work Perspective:
Most employers are unlikely to implement Trump Accounts immediately. Employers seeking to strengthen their family-friendly benefits may want to monitor future guidance.

HR@Work will continue to provide Compliance Alerts as additional guidance becomes available.

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