



## Hodgepodge Account

July 22, 2025

Let's imagine that Dr. Frankenstein, instead of stitching together miscellaneous body parts into a homunculus creature distantly resembling a human being, he decided to create a tax-favored investment account. He might call it a Trump Account.

The Trump Account is part of the "One Big Beautiful Bill" that was recently signed into law. Like a Roth IRA, the Trump Account would allow people to contribute after-tax dollars (the contributions would not be deductible), but unlike any other retirement account, contributions could only be made on behalf of children under the age of 18.

Like Roth and traditional IRA accounts, the money would grow tax-deferred until spent by the child. But unlike Roth and traditional IRAs, there are limitations to how the money could be spent, similar to a 529 plan or Health Savings Account. Unlike 529 plans and Health Savings Accounts, the young account owner could take out half of the account once he or she turns 18, and the other half could be withdrawn at age 31. Trump Account money would have to be spent on either college tuition, starting a small business or purchasing a first home. Otherwise, the account owners would have to pay a 10% penalty on the unauthorized expenditure.

Like a simple brokerage account, Trump Account contributions are not tax-deductible, and the money coming out is taxed at the capital gains tax rates. But unlike a simple brokerage account, the money accumulates tax-free until spent. If the expenditure is not authorized, then the distribution loses its capital gains tax preference and becomes ordinary income to the recipient.

Got all that? Oh, and unlike any other type of account, the bill authorizes that each child born between January 1, 2025, and January 1, 2029, would automatically be enrolled in a Trump Account, with the government contributing \$1,000 seed money. One cannot call these retirement accounts, since the Trump Account rules would require all of the balance to be withdrawn by age 31 to avoid having the money taxed as income. Not everyone retires at age 31.

The thinking among experts is that it's okay to take the \$1,000 if the government offers it. But putting money into such a complicated vehicle, with so few real tax advantages, is nowhere near as beneficial as, say, contributing to a real retirement plan like a traditional IRA or Roth account, or setting up a 529 plan for future college expenses. Dr. Frankenstein might have admitted that there are better, easier ways to make a human being than to stitch together parts of dead people, and if he was in the retirement planning business, he might have recommended one of the 11 other tax-advantaged savings vehicles that are currently in the overcrowded retirement space.

**Sources:**

<https://www.msn.com/en-us/news/politics/trump-accounts-for-newborns-face-growing-scrutiny/ss-AA1GLDzR>

<https://www.cbsnews.com/news/trump-accounts-for-newborns-1000-bill-cbs-explains/>

<https://taxfoundation.org/blog/trump-accounts-could-be-better/>

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](tel:2153251595) or you can [click here to schedule a meeting](#).

Please feel free to forward this article and offer to anyone you know who might have financial questions or need some unbiased advice. Most financial advice is sales advice. In stark contrast, we are fee-only (non-commissioned) fiduciary advisors. We just provide truthful, unbiased advice to our clients.



**Jeffrey Broadhurst**  
MBA, CFA, CFP  
Broadhurst Financial Advisors, Inc.



**\*\*PRIVACY NOTICE\*\***

This message is intended only for the individual or entity to which it is addressed and may contain information that is privileged, confidential, or exempt from disclosure under applicable federal or state law. You are hereby notified that any dissemination, distribution, or copying of this communication, except in accordance with its intended purpose, is strictly prohibited.

**Our physical and mail address:**

1911 West Point Pike  
P.O. Box 301  
West Point, PA 19486-0301

**Contact us:**

Phone: (215) 325-1595  
Email: [jeff@broadhurstfinancial.com](mailto:jeff@broadhurstfinancial.com)