Trump Accounts vs. Roth IRAs vs. 529 Plans

A side-by-side comparison for families deciding how to save and invest for a child.

Feature	Trump Account	Roth IRA	529 Plan
What it is	A new IRA-style account for kids under 18, created by the "One Big Beautiful Bill" available starting July 4, 2026.	A Roth IRA opened by an adult custodian for a minor. It functions exactly like an adult Roth IRA.	A state-sponsored, tax-advantaged investment account designed specifically for education expenses.
Eligibility	Any U.S. child under 18 with a Social Security number. No earned-income requirement.	Child must have earned income (e.g., a summer job).	No age or income restrictions on the beneficiary. Almost anyone can open one for almost anyone.
Annual contribution limit	$5,000 limit per child from all individual sources (parents, relatives, friends, employers, etc.).	$7,500 for 2026 (same as adult IRA limit), capped at the child's earned income for the year — whichever is lower.	No federal limit.
Government / employer money	One-time $1,000 federal seed deposit for children born 2025–2028. Employers may contribute up to $2,500/year tax-free within the $5,000 cap. Some charities and local governments can also seed accounts.	None — purely funded by the child's own earnings or gifted contributions up to the earned-income cap.	No federal match. Some states offer matching grants or a state income-tax deduction/credit for contributions, but not Texas.
Deductibility of contributions	Contributions are not deductible.	Not deductible – same as all Roth IRAs.	Contributions are not deductible.
Tax on growth	Tax-deferred while in the Trump account.	Tax-free growth as long as the Roth continues.	Tax-free growth as long as withdrawals are used for qualified education expenses.
Tax on withdrawals	Once converted to a traditional IRA at 18, withdrawals are ordinary income. Contributions come out tax-free, but earnings and government/employer contributions are ordinary income when withdrawn.	Contributions can be withdrawn any time, tax-and-penalty-free. Earnings are tax-free once the account is 5+ years old and the owner is 59½ (or meets an exception).	Withdrawals for qualified education expenses (tuition, fees, books, room & board, K-12 tuition up to limits) are tax-free. Non-qualified withdrawals are taxable, plus a 10% penalty on the earnlngs portion.
Penalties on withdrawal	No withdrawals are allowed before the child turns 18. After that, a 10% penalty applies for withdrawals before age 59½, except for first home purchase up to $10,000, higher education, birth/adoption up to $5,000.	No penalty on withdrawn contributions. A 10% penalty applies to early withdrawals of earnings, except for first home, education, birth/adoption, etc.	10% penalty on the earnings portion of non-qualified withdrawals, plus ordinary income tax on those earnings.
Investment options	Limited to U.S. stock index mutual funds or ETFs during childhood, with expense ratios capped at 0.10%. No individual stocks, bonds, international funds, or active management until the account converts to a traditional IRA at 18.	Full brokerage menu — stocks, bonds, ETFs, mutual funds — chosen by the custodian, then the child when they take over.	A menu of state-selected portfolios (usually age-based or static mixed-asset funds). You pick from the plan's options, not individual securities.
Who owns / controls it	Child owns it from day one, but a parent or guardian administers it until the child turns 18, when full control transfers to the child.	Child legally owns it. Custodian manages it until the child becomes an adult (18 or 21, depending on the state), then the child has full control.	The account owner (often a parent or grandparent) keeps control indefinitely — control does NOT automatically pass to the child, and the owner can change

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			beneficiaries or even withdraw funds (with tax/penalty on earnings).
How the money can be used	No restrictions on how the money is used once withdrawn.	Contributions are accessible anytime, and earnings can be tapped penalty-free for a first home, education, or other IRA exceptions.	Limited to education: tuition, room & board, books, computers, and up to $10,000/year in K-12 tuition, plus apprenticeship costs and limited student-loan repayment.
Penalty on misuse of funds	N/A	N/A	Non-qualified withdrawals owe tax + 10% penalty on earnings. But can change the beneficiary to another family member or roll up to $35,000 (lifetime) to the beneficiary's Roth IRA (15-year holding period and other rules apply.
Impact on college financial aid (FAFSA)	Not clarified by the Dept. of Education yet, but it will likely be counted as a student asset (up to 20% of value).	Retirement accounts are excluded from FAFSA entirely. A Roth IRA is not reported as an asset, but large pre-application withdrawals can count as income.	If owned by a parent (or the dependent student), counted as a parent asset and assessed at a much gentler 5.64% of value. Grandparent-owned 529s currently have zero FAFSA impact.
Creditor / bankruptcy protection in Texas	It should be creditor exempt under Tex. Prop. Code §42.0021, but since it's new, no Texas law confirms this yet.	Exempt from creditors in Texas with no dollar cap (Tex. Prop. Code §42.0021). Other states may differ.	Exempt from creditors in Texas with no dollar cap (Tex. Prop. Code §42.0022).
Gift tax considerations	Contributions are gifts from whoever funds them, and follow normal annual-exclusion rules ($19,000/$38,000 for 2026).	Contributions are gifts from whoever funds them, and follow normal annual-exclusion rules ($19,000/$38,000 for 2026).	Contributions are gifts but uniquely allow 5-year “superfunding” ($95,000 single/$190,000 married in one lump sum) without using lifetime exemption, the most generous gift-tax treatment of the three.
Account fees	Capped at 0.10% by law during the growth period.	Varies by brokerage. Many brokerage firms have no account fee and low-cost fund options.	Varies by state plan. Some state plans are noticeably cheaper than others.
If the beneficiary dies young	Loses IRA status. The balance (minus already-taxed contributions) becomes ordinary taxable income to the named successor beneficiary in that year.	Passes to the named beneficiary as an inherited Roth IRA, generally with continued tax-free growth subject to inherited-IRA distribution rules.	Owner can change the beneficiary to another qualifying family member, or the funds may be includible in the estate — no forced taxable distribution simply because the original beneficiary died.
Best suited for	Parents who want a simple, hard-to-touch head start on their child’s wealth and retirement accumulation — especially if they qualify for the free $1,000 federal deposit.	Minors with earned income who want tax-free growth and maximum flexibility, including penalty-free access to contributions for emergencies.	Families whose primary goal is funding college or K-12 education and want the strongest tax break and lowest financial-aid penalty for that specific purpose.

Note: Trump Accounts launch July 4, 2026, and several details (IRS guidance on conversions, full FAFSA treatment, and how courts will apply Texas's IRA exemption to them) are still being finalized. This comparison reflects guidance available as of mid-2026 and is general information, not tax, legal, or financial advice.