Trump Accounts: A New Player in the Employee Benefits Lineup

Labor & Employment Law Update

By Rebecca Bush on February 5, 2026

Limited IRS guidance is here, but should your organization jump in or wait?

JPMorgan Chase, BlackRock, and Charles Schwab have already announced they will match the federal government's $1,000 seed contribution to Trump accounts for their employees' children. But for most employers, the question is whether the regulatory landscape is clear enough to make an informed decision.

In December, the IRS released Notice 2025-68, providing the first substantive guidance on Trump accounts, the new tax-advantaged savings vehicles for minors created by the One Big Beautiful Bill Act (IRC Section 530A). While contributions cannot begin until July 4, 2026, the Notice gives employers enough detail to start evaluating whether a Trump Account Contribution Program fits their benefits strategy.

How Trump Accounts Work

Trump accounts function as a hybrid between a 529 education savings plan and a traditional IRA, established for individuals under age 18 with a Social Security number. During the "growth period" (which runs until December 31 of the year before the beneficiary turns 18), investments are limited to low-cost index funds with annual fees capped at 0.1%, and distributions are generally prohibited. Once the growth period ends, the account converts to a traditional IRA, with distributions taxed as ordinary income. Standard early withdrawal penalties apply, though exceptions exist for things such as first-time home purchases, qualified education expenses, and potentially for starting a business.

The Employer Opportunity

Under new IRC Section 125, employers can establish a Trump account contribution program, a separate written plan allowing employer contributions to Trump accounts of employees or their dependents. These contributions are excludable from the employee's gross income up to $2,500 per year (subject to cost-of-living adjustments after 2027).

A critical point: This limit is *per employee*, not per dependent. If an employee has three children with Trump accounts, the employer can only contribute a combined $2,500 across all three accounts in any given year. The limit resets each calendar year, so the employer could contribute another $2,500 the following year. These employer contributions also count toward the account's overall $5,000 annual contribution limit.

Employees can fund contributions through salary reduction under a Section 125 cafeteria plan, but only for a dependent's Trump account, not their own. Contributions to an employee's own account would constitute deferred compensation under Section 125(d)(2)(A).

The Case for Patience

Perhaps the biggest open question: Will Trump Account Contribution Programs be subject to ERISA? The Notice indicates that the Departments of Labor and Treasury anticipate issuing guidance on how to structure Section 125 employer contributions to avoid ERISA coverage. Until that guidance arrives, employers face uncertainty about fiduciary obligations, reporting requirements, and administrative burdens.

This regulatory uncertainty has led many employers to take a wait-and-see approach. Early adopters like the major financial institutions have the resources and expertise to navigate ambiguity. For most employers, waiting for final regulations and ERISA guidance before committing may be the prudent path.

The Bottom Line

Trump accounts add another option to an already crowded field of tax-advantaged savings vehicles. The $2,500 annual exclusion for employer contributions makes it a potentially attractive benefit for employees with children. But the narrow investment options, regulatory uncertainty around ERISA, and pending guidance on nondiscrimination testing mean most employers have good reason to monitor developments before diving in. The IRS is requesting comments on the intended regulations by February 20, 2026.