

# Trump Accounts May Come With Free Money, but There Are Drawbacks

The new accounts will provide a savings vehicle for millions of families, but as traditional IRAs, they present tax issues.

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## Key Points

About This Summary ⓘ

- Trump accounts, seeded with \$1,000 by the federal government for newborns, convert to traditional IRAs at age 18, with withdrawals before age 59½ potentially taxed and penalized.
- These accounts have a \$5,000 annual contribution cap from individuals, though government and philanthropic gifts don't count toward this limit.
- Experts suggest alternative savings vehicles like Roth IRAs, 529 plans, and custodial accounts offer more flexibility and potential tax advantages.