Planning for a Child's Financial Future

From education savings to long-term investing, different account types are designed for specific goals—each with its own benefits, contribution rules, tax considerations, and flexibility. Understanding how they compare can help you evaluate which approach may align with your goals.

What's New?

Trump Accounts, established under Section 530A of the Internal Revenue Code, are a new type of individual retirement account created under federal law to encourage long-term saving for children. Like other savings vehicles, they have unique contribution, withdrawal, ownership, and tax rules. The comparison below highlights how they differ from other commonly used accounts.

Compare Your Options

Use this guide as a starting point when evaluating common savings and investment options for children.

	530A (Trump) Account	529 Plan	Custodial Roth IRA	UGMA / UTMA Custodial Account
Designed for	Long-term retirement savings for a child	Education savings	Retirement savings for teens with earned income	Flexible savings for child's benefit
Who can contribute?	Parents, grandparents, others, employers, charities, governments	Anyone	Child (or someone on child's behalf) if child has earned income	Anyone
Annual contribution limit	$5,000*	Plan limits and federal gift tax rules apply	IRS annual limit or child's earned income, whichever is less	No federal contribution limit; state and federal gift tax rules may apply
Tax treatment	Tax-deferred growth	Tax-deferred growth; tax-free withdrawals for qualified education expenses	Tax-free qualified withdrawals	Investment earnings may be taxable to child (kiddie tax rules may apply)
When can funds be used?	Beginning January 1 of year child turns 18, subject to traditional IRA rules	Qualified education expenses	Contributions anytime; earnings generally after age 59½ if requirements are met	Anytime for child’s benefit
Who controls the account?	Responsible adult on child’s behalf during growth period	Account owner retains control	Custodian manages account until child reaches applicable age	Custodian until age of majority
What happens at adulthood?	Traditional IRA rules generally apply beginning year child turns 18	Owner keeps control; beneficiary can be changed	Child gains control of account	Child gains control of assets, subject to applicable state law
Common uses	Jump-starting retirement savings	College or education planning	Teaching young earners to save	Saving for future expenses without education restrictions

*Certain contributions do not count toward annual limit. Limit is adjusted for inflation after 2027.

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Key Considerations

530A (Trump) Account

- Annual contribution limits apply
- Eligible children born in 2025–2028 may receive a one-time $1,000 federal contribution when election is made
- Generally intended for long-term retirement savings

529 Plan

- Designed for qualified education expenses
- Offers certain federal tax advantages
- Limited unused funds may be eligible for rollover to a Roth IRA, subject to IRS requirements

Custodial Roth IRA

- Requires earned income
- Offers potential for tax-advantaged long-term growth
- Contribution and withdrawal rules apply

UGMA / UTMA

- Funds may be used for the benefit of the child
- Child gains control of the assets at the applicable age, subject to state law
- May affect financial aid eligibility

Explore the Right Approach for Your Family

Choosing how to save and invest for a child depends on your goals, time horizon, tax considerations, and how you would like the funds to be used. A Midland Wealth Management Advisor can help you evaluate the options and discuss approaches that may align with your family's needs.

Connect with an Advisor

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