Savings Vehicles for Minors

WaFd Wealth Management | Reference Matrix

WaFd Wealth Management

	Trump Account Federal savings account for minors (OBBBA, 2025)	Custodial IRA Traditional/Roth IRA for a working minor	UTMA / UGMA Custodial account under state law	529 Plan State-sponsored education savings plan
Best used for	General head-start savings / long-horizon investing from birth	Retirement savings for a minor with earned income	Flexible, general-purpose savings for the child's benefit	College / education costs (K–12 tuition, college, some apprenticeships)
Eligibility	Any U.S. child under 18 with a Social Security number	Minor must have taxable earned income (job, self-employment)	Any minor; no earned-income requirement	Any beneficiary; no age or income requirement
Who opens & controls it	Parent/guardian (or adult sibling/grandparent) opens; account is titled to the child	Parent/guardian opens and manages as custodian until majority	Custodian (often parent/grandparent) manages; assets legally belong to the child	Account owner (usually parent/grandparent) retains control, even after beneficiary is an adult
2026 contribution limits	$5,000/yr combined individual + employer (employer portion capped at $2,500); unlimited from nonprofits/government	Lesser of child's earned income or $7,500/yr (2026 IRA limit)	No limit; contributions above $19,000/donor ($38,000/couple) use gift-tax exclusion	No federal annual cap; state aggregate lifetime limits ~$235K–$621K; $19,000/donor treated as annual exclusion gift
Funding sources	$1,000 federal seed deposit (children born 2025–2028); $250 charitable deposit in some ZIP codes; family, employer, nonprofit gifts	Only the child's own earned income (parents/others can "match" up to that amount)	Anyone can contribute cash, securities, or property	Anyone can contribute; many plans accept third-party gifting links
Tax treatment — growth	Tax-deferred growth, invested in low-cost index funds/ETFs (0.10% expense cap, no leverage)	Traditional: tax-deferred growth. Roth: tax-free growth	Taxable annually to the child under “kiddie tax” rules	Tax-deferred growth at federal level; many states offer a deduction/credit on contributions

General reference only, not tax, legal, or financial advice. Trump Account rules are newly enacted (effective July 2026) and subject to further IRS/Treasury guidance; verify current details before acting. Contribution limits, gift-tax exclusions, and kiddie-tax thresholds shown are 2026 figures and adjust annually for inflation. UTMA/UGMA age-of-majority and 529 aggregate limits vary by state. Investing involves risk, including the possible loss of principal. Investment returns and account values will fluctuate, and there is no guarantee that any investment objective will be achieved. The appropriate savings vehicle depends on an individual's financial objectives, tax situation, time horizon, and other circumstances. Not all account types are suitable for every family. Tax benefits are subject to federal and state law and depend on individual circumstances. Future legislative or regulatory changes may affect these benefits.

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Tax treatment — withdrawals	Distributions before 18 generally restricted; after 18, standard traditional-IRA rules apply (ordinary income tax, 10% early-withdrawal penalty pre-59½, exceptions apply)	Traditional: taxed as ordinary income in retirement. Roth: tax-free qualified withdrawals	First ~$1,350 of unearned income tax-free, next ~$1,350 at child's rate, excess taxed at parent's marginal rate	Withdrawals for qualified education expenses are federal tax-free; non-qualified withdrawals owe tax + 10% penalty on earnings
Investment options	Limited to low-cost index mutual funds/ETFs during the "growth period" (through year child turns 17)	Broad — same menu as any IRA at the chosen custodian	Broad — stocks, bonds, funds, and other property permitted by state law	Limited to the menu of portfolios offered by the chosen state plan
Access / control transfer	Locked until the "growth period" ends (Dec. 31 of the year the child turns 17); IRA rules apply at 18	Child owns it from day one; control formally shifts as they reach adulthood and manage it themselves	Custodian controls until state age of majority (18, 21, or up to 25 depending on state), then full control passes to the (former) minor	Account owner keeps control indefinitely — funds never automatically transfer to the child
Flexibility of use	Retirement-oriented after 18; early withdrawals for non-qualified reasons trigger tax/penalty	Retirement-oriented; early withdrawals taxed/penalized like any IRA	No restriction — once transferred, funds can be used for anything	Best for education; up to $10,000 lifetime can roll to a Roth IRA for the beneficiary (15-yr account rule, $7,500/yr 2026 cap) or non-qualified use with tax/penalty
Financial aid (FAFSA) impact	Not yet defined in aid formulas (new account type)	Retirement accounts generally excluded from FAFSA assets	Counted as the student's asset — assessed at 20%, the harshest treatment	Counted as parent asset (if parent-owned) — assessed at just 2–5%
Key considerations	Brand-new (launched July 2026); rules still being finalized by Treasury/IRS; funds are locked up longest of these options	Requires the child to actually have earned income — not usable for most young kids	Irrevocable gift; child gains unrestricted legal control at majority regardless of your wishes	Best tax treatment for education; unused funds have new Roth-rollover flexibility since 2024

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