<u>FREE CASH FOR KIDS</u>

To: Parents, grandparents, and those thinking about becoming parents

You may have heard that children born in 2025, 2026, 2027, or 2028 are eligible to receive a "free" $1,000 contribution from the federal government into a newly established savings account. It's true.

From my analysis, these accounts present a compelling opportunity to kickstart long-term savings for your child. Think of them as a "supercharged IRA," designed to grow over decades.

However, before opening one, it's important to ensure your own financial stability and have a clear plan for funding your child's education. If those priorities are already addressed, this account may be worth exploring.

Note: These accounts are not optimized for education savings. Instead, they offer parents a chance to begin retirement savings for their child early, potentially decades before the child enters the workforce. That extended growth period can significantly enhance long-term returns.

Caveat: the accounts will be officially branded as "Trump Accounts," which may influence how some families feel about participating.

This guidance is based on initial interpretations of the recently passed tax legislation. Final interpretations and regulations have not yet been published. **Before taking any action, be sure to consult with a qualified financial advisor.** This is not legal advice.

Key details and considerations surrounding these accounts:

For children born between January 1, 2025, and December 31, 2028:

- The federal government will provide a $1,000 seed contribution. This is free money.
- You can open an account once the child has a Social Security number.
- Eligibility is universal and is not based on income or background.
- The federal $1,000 contribution is scheduled to become available July 4, 2026.

For children above and any other minors under age 18:

- If interested, open an account to which family, friends, and employers may contribute up to $5,000 annually per child.
- For those who receive the initial $1,000 federal contribution, it does not count toward the annual contribution limit.
- Employers may contribute up to $2,500 per child. This amount is not taxable income.
- The account's beneficiary must be the minor child.
- Investments must be made in low-cost stock mutual funds or exchange-traded funds (ETFs).
- Upon reaching 18, standard IRA rules apply.
- For education-focused savings, a 529 plan may be a more suitable alternative.
- Child gains control of the account at age 18

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