

Trump accounts: The new kid on the investment block

- We evaluate Trump accounts through the lens of Vanguard's timeless Principles for Investing Success: Goals, Balance, Cost, and Discipline. We see much to like about these accounts but also some important considerations.
- On the plus side, Trump accounts offer qualifying children free money that families shouldn't leave on the table. The accounts also automatically invest in low-cost, diversified index funds, so families with Trump accounts can get an early start on savings, investing, and compound growth.
- Families should be aware of some considerations in using these accounts. The accounts aren't opened automatically. Families must file a new tax form to make that happen. The all-equity investment options offer little global diversification and risk mitigation as children approach withdrawal age. Although withdrawals are allowed for a range of uses starting the year the child turns 18, for certain goals, other account types may offer greater flexibility and lower tax costs.

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Notes: This is Vanguard's assessment as of February 10, 2026. Regulators are still clarifying additional rules governing Trump accounts. As guidance evolves, our assessment may shift.

What are Trump accounts?

Trump accounts offer a new, tax-advantaged way for children to save and invest. Parents or guardians establish and manage the account until the child turns 18.¹ To elect to establish an account, parents must file a new IRS form or use a dedicated online portal.² The account can receive contributions from multiple sources. Eligible children born between 2025 and 2028 qualify for a \$1,000 seed contribution from the federal government. State and local governments, charitable organizations, and employers may also contribute. Individuals—including family, friends, and the child—and employers may contribute up to a combined total of \$5,000 per child annually.

During the “growth period,” which lasts until the year the child turns 18, the account automatically invests contributions in a low-cost, U.S. equity index fund with expenses capped at 0.10%, and the rules prohibit withdrawals. After the growth period ends, the account begins to function similar to a traditional IRA, allowing for expanded investment options, contributions, and withdrawals, though distributions may result in income taxes or additional penalties.

To help families make the most of Trump accounts, we evaluate them through the lens of Vanguard’s Principles for Investing Success: Goals, Balance, Cost, and Discipline. We see much to like about these accounts, but also some important considerations.

Goals: Create clear, appropriate investment goals

An investment goal is essentially any plan that investors have for their money. Investors can achieve their goal through savings and investment returns. For kids, some common goals include building emergency savings as they enter adulthood; saving for education; assisting with large purchases that can be a stretch for young adults, such as a down payment on a house; and getting an early start on retirement savings.

What to like:

Trump accounts offer free money that shouldn't be left on the table.

Families should find and receive every possible source of seed money.³ For eligible babies born between 2025 and 2028, the federal government provides a \$1,000 seed contribution for Trump accounts. In addition, philanthropic organizations, federal and state governments, and employers may contribute additional seed money on a child’s behalf. Eligible government and philanthropic contributions can be made without limit, whereas employer contributions are capped at \$2,500 per year and count toward the \$5,000 annual limit on individual contributions.⁴

While seed contributions are a one-time deposit, early and regular savings over an 18-year horizon can power long-term financial security more so than investment returns. For example, if a child received \$1,000 every year starting at birth, after 18 years they could have approximately \$32,000, based on assumed market returns. In that case, a little over half could come from contributions, with the rest coming from growth.⁵

- ¹ Legal guardians, parents, adult siblings, or grandparents, in priority order, may elect to open Trump accounts. Eligibility to elect the \$1,000 seed contribution depends on whether the individual anticipates that the child will be their qualifying child for federal tax purposes, as explained in the [IRS Form 4547](#) instructions.
- ² The online application for making the election is available at trumpaccounts.gov.
- ³ In some cases, money held in a child’s name may count against the child or family for certain public assistance programs, though typically only once the child can access it.
- ⁴ Note that the employer limit is per employee. For more information, see [IRS Notice 2025-68](#). Employers may offer other benefits for child educational savings and expenses, such as 529 plan matching or child educational assistance. These should be considered at the family level as well.
- ⁵ These Vanguard calculations assume a 6% annual return, 0.1% fund costs, and no taxes. Values are rounded for presentation. This hypothetical illustration does not represent the return on any particular investment, and the rate is not guaranteed.

Trump accounts nudge Americans to start saving and investing early.

Trump accounts invest dollars in the stock market, enabling children to become shareholders in publicly traded American companies. This can teach lifelong lessons about the power of investing and compound returns. These early investing experiences in turn can make children more likely to identify as investors and feel confident in their financial knowledge when they're older.⁶

Having only one Trump account keeps it simple.

Each eligible child is allowed to have only one Trump account. That's a big deal, because the account acts as a single landing spot for all contributions. Governments, charitable organizations, employers, and family members can all contribute to the same account, rather than setting up multiple accounts and tracking separate balances. In contrast, most Americans have many small pots of retirement savings, increasing costs and making it difficult to see clearly whether they are on track to retire.

What to consider:

Opening a Trump account isn't automatic.

Auto-enrollment is very effective at driving participation and early adoption, particularly among those who need the funds the most. Because the program does not automatically

enroll children, families with qualifying children must actively elect to open an account by filing the new [IRS Form 4547](#) or using the online portal. Families with newborns must also actively elect to receive the seed contribution.

Research suggests that not every eligible family will do this, or that they'll delay doing so, and those most likely to miss out are lower-income families. For example, in 401(k) plans with voluntary enrollment, only about 60% of workers participate, compared with roughly 90% in plans with automatic enrollment—a difference that is especially pronounced among younger, lower-income workers (Clark, 2025).

When we look at 529 plans, we see that even a small delay can matter. Account owners who wait a year from a child's birth before opening an account can have balances that are 11% lower than those who don't delay (Clarke et al., 2024).

Trump accounts are a good family savings option but should be considered alongside other types of accounts.

Like any account, Trump accounts are a tool—and the key is knowing when they fit a family's needs. These accounts' unique strength is that qualifying children can receive contributions that may not be available otherwise. It makes sense for families to open the account and accept those dollars regardless of their investment objectives.

⁶ Source: Vanguard Investor Identity survey of roughly 6,000 retail brokerage clients and 401(k) plan participants, conducted in November 2024 and January 2025.

Beyond that starting point, families should think about their financial goal(s) and whether a Trump account is the best vehicle to achieve them. As **Figure 1** illustrates, there may be other types of accounts that could provide better outcomes for a child’s financial goal(s). Family savings choices should be guided by factors such as flexibility, investment options, costs, tax treatment, and

financial aid impacts that differ by account type, along with family considerations. For example, Trump accounts have withdrawal restrictions until January 1 of the year the child turns 18. And while withdrawals are treated similarly to those from a traditional IRA, they are subject to income taxes and to potential penalties on distributions.⁷

FIGURE 1
Account fit depends on your financial goals

Goal	Trump account*	Custodial accounts (UGMA/UTMA)*	Parental brokerage/savings account	529 savings plan	Traditional IRA**	Roth IRA**
Emergency savings (at age 18)	▼	▲	▲	▼	▼	▲
Education	▼	▼	▲	▲	▼	▼
Home purchase	▼	▲	▲	▼	▼	▼
Retirement	▲	▼	▼	▼	▲	▲

Goal fit: ▼ Less ▲ More

* Control shifts to the account owner (child) at the age of majority under state law (18 in most states), but this varies based on account type (IRA versus UGMA [Uniform Gifts to Minors Act] and UTMA [Uniform Transfers to Minors Act]).

† Taxable compensation (earned income) must be received by the child for contribution eligibility. A description can be found in [IRS Publication 590-A](#).

Notes: The figure evaluates goal relevance from the perspective of saving for a child. Account aspects considered include the availability of diversified investments; contribution amounts and limits; taxation on withdrawals, income, and gains, including kiddie taxes; and parental control over assets, as well as asset and income impacts on federal student financial aid by goal. This information is for illustrative purposes, for general guidance only, and does not take into consideration personal circumstances or other factors that may be important in making investment decisions. We recommend consulting a financial or tax advisor before investing.

Source: Vanguard.

For more details on contribution, tax, and withdrawal rules for each account type, see **Figure 2** on page 8.⁸

7 Withdrawals from Trump accounts are allowed beginning January 1 of the year the child turns 18. More information can be found in [IRS Notice 2025-68](#) for Trump accounts and [IRS Publication 590-B](#) for IRAs.

8 Regulators are still clarifying some rules governing Trump accounts, such as withdrawal specifics and tax coordination. As guidance evolves, our assessment may shift.

Balance: Keep a balanced and diversified mix of investments

Investors should select a mix of investments based on their time horizon and willingness to take risk.

What to like:

Trump accounts invest in index funds, offering broad exposure to a range of companies.

Diversifying within an asset class is an important tenet of balance. By requiring a broad equity index fund as the default investment, Trump accounts limit risks associated with overconcentration of specific companies, sectors, or segments.

What to consider:

The equity portfolio lacks global diversification.

Even though U.S. stocks account for roughly 60% of the global market, Trump accounts—by requiring investment in a predominantly U.S.-based index fund—miss out on the potential to diversify geographically. Because U.S. citizens are already exposed to the U.S. economy through their jobs, homes, or other financial assets, being able to invest globally could help them mitigate

some of the risk of putting all their eggs in the U.S. basket (De Luca, Madamba, and Zilbering, 2020).⁹ As a result, families may want to consider adding diversification elsewhere through their other financial accounts.

The equities-only portfolio offers little risk mitigation as the child gets older.

Although there are positives to the 100% equities investment options, Trump accounts don't gradually de-risk toward a bond allocation like common investment allocations in other account types, such as 529s and target-date funds. Maintaining a 100% equity allocation, as the account allows for withdrawals, could expose the child to the risk that a market downturn occurs precisely when they need the money.¹⁰ For instance, a 20% drop in account balance when the child was planning to use the funds could cause financial strain.

One way that families could address this risk would be to reallocate the investment after the "growth period" to an option that aligns with the child's goals, risk preferences, and time horizon. This alternative could be a lower-risk bond or money market fund for an emergency savings goal or a target-date fund for a retirement goal.

⁹ U.S. investors averaged about 80% in domestic equity versus about 20% in international equity.

¹⁰ Control shifts to the account owner (the child) at the age of majority under state law (18 in most states) but varies based on account type (IRA versus UGMA/UTMA).

Cost: Minimize account fees and taxes

There are two broad categories of costs that investors should try to minimize: account fees, which can include investment costs and account administration fees, and taxes.

What to like:

Trump accounts must be invested in low-cost funds.

As Vanguard's founder, John Bogle, famously said, "In investing, you get what you don't pay for" (Bogle, 2005). By law, Trump accounts must be invested in an index fund that costs no more than 0.10%, or \$1 for every \$1,000 invested. This is great news for kids, as the average U.S. equity index fund costs 0.40% (Evens and Armour, 2025).¹¹ A child who maximizes every possible contribution starting at birth—totaling \$91,000 over 18 years—and pays fund expenses of 0.10% instead of 0.40% could have about \$5,000 more at age 18.¹²

What to consider:

Families should pay attention to possible account expenses, which could erode balances.

Although investment costs must not exceed 0.10%, providers may charge a fee to administer the account—for example, \$10 each quarter. These costs eat into investment returns and can compound over 18 years. A child born in 2026, who benefits from the \$1,000 seed contribution but receives no other contribution, could have about \$2,800 by age 18, with no account fees.

Tacking on a \$10 quarterly fee would reduce that balance to just \$1,600. A \$25 quarterly fee would completely erode the balance by age 16.¹³

There are also many ways, less obvious than expense ratios or account fees, for an investment manager to earn revenue from the Trump account assets. For example, some asset managers collect securities lending revenue rather than returning it to the end investor (Evens and Tran, 2023).¹⁴

We may not know what these account expenses will be, but families should carefully choose their Trump account provider, paying particular attention to account costs that could erode their investment returns.

For certain goals, other account types may offer greater flexibility and lower taxes than Trump accounts.

Although Trump accounts allow withdrawals after the "growth period," they are treated similar to traditional IRAs.¹⁵ Any taxable portion of a withdrawal is treated as unearned income for the child, and additional penalties can apply if the withdrawal doesn't qualify for an IRS exception. For dependent children (up to age 23 if a full-time student), this may trigger kiddie tax obligations that can complicate tax filing for both the child and the parents.¹⁶ Nonqualified withdrawals would tack on additional penalties. For example, due to kiddie tax rules, federal income taxes could be as high as 37%, with nonqualified distributions tacking on 10% more. Many states would also collect taxes on top of those.

¹¹ 0.40% was the equal-weighted average expense ratio for passive U.S. equity index funds in 2024. The asset-weighted average expense ratio for passive U.S. equity index funds in 2024 was 0.08%. For active U.S. equity index funds, the average expense ratio was 1.02%. Source: Morningstar, Inc.

¹² Contributions would include \$1,000 from the government and annual combined contributions of \$5,000 from the family and the parent's employer, ignoring future inflation for simplicity. These contributions would add up to \$91,000, resulting in roughly \$165,000 on the child's 18th birthday with a 0.10% fund fee and about \$160,000 with a 0.40% fund fee. This assumes a 6% nominal return before fund fees. No custodian fee is assumed. Values are rounded. This hypothetical illustration does not represent the return on any particular investment, and the rate is not guaranteed. Source: Vanguard calculations.

¹³ This assumes a 6% annual nominal return on investments, a 0.10% annual fund fee, and a \$10 or \$25 fee accrued quarterly and assessed at year-end. Values are rounded. This hypothetical illustration does not represent the return on any particular investment, and the rate is not guaranteed. Source: Vanguard calculations.

¹⁴ Vanguard returned about 97% of securities lending revenue to investors, compared with competitors who returned as little as around 64%, based on mutual fund statement of additional information (SAI) filings from February 2022 to June 2023. Source: Morningstar, Inc.

¹⁵ While Trump accounts track contributions separate from other traditional IRAs, each distribution is automatically split between taxable income and the nontaxable return of after-tax contributions under IRS pro rata rules. More information can be found in [IRS Notice 2025-68](#) for Trump accounts and [IRS Publication 590-B](#) for IRAs.

¹⁶ This would also apply to any Roth conversions over this age and dependent status. For more information on kiddie taxes, see [IRS tax topic no. 553](#).

These withdrawals can also reduce the child's eligibility for federal student financial aid, unlike 529 plans, which allow tax-free withdrawals for a broad range of qualified education expenses.¹⁷ This may discourage a child from making withdrawals from their Trump account even though those are allowed.

For UGMA/UTMA accounts, taxes on growth are generally at lower capital gains tax rates, rather than income tax rates as with Trump accounts. While both types of accounts have kiddie tax considerations, the risk of a tax shock for an UGMA/UTMA will generally be lower because of this more favorable capital gains treatment.

Another option would be saving in a regular brokerage account under a parent's name. That would avoid kiddie tax complications altogether, preserve capital gains treatment, and allow the parent to control the timing and size of any gifts.¹⁸

When all these factors are considered (see **Figure 2** on page 8), Trump accounts may be less favorable than most existing account structures for family savings, beyond available seed, philanthropic, governmental, and employer contributions available for certain children.

Discipline: Maintain perspective and long-term discipline

Discipline in investing is the ability to adhere over time to an investment plan.

What to like:

Trump accounts come with a default investment selection.

This makes investing easy for families because they don't have to make an active choice. Our research shows that default investment options help investors adopt balanced investments, stay

the course during volatile periods, and avoid cash drag. For example, two-thirds of participants in Vanguard-administered 401(k) plans are in professionally managed allocations, mostly through default investment in target-date funds (Clark, 2025). In contrast, when there's no default investment, such as with IRAs, many people leave their retirement savings sitting in cash, missing out on long-term growth (Reed et al., 2024).

Trump accounts prevent withdrawals until the year the child turns 18.

Withdrawals must be for the child's benefit, and parents can rest assured knowing that their child can't access this money until the year they turn 18.¹⁹ Although parents may want to access the money, this restriction gives the child a long investment horizon over which to experience the power of compound growth and build a nest egg as they enter adulthood.

Conclusion

Trump accounts allow children to get an early start on saving and investing with low-cost equity funds. Examining them through the lens of Vanguard's Principles for Investing Success provides guidance on how these accounts could better align with a child's goals as well as considerations for factors related to balance, cost, and discipline. The basic design of these accounts gives children a leg up, but families should choose wisely to make the most of the opportunity.

Learn more and get updates at trumpaccounts.gov.

¹⁷ Expenses permitted by 529 plans may include K-12 tuition expenses, a \$10,000 lifetime student loan repayment limit, and up to a \$35,000 rollover to a Roth IRA. Not all states conform to federal exceptions. For more information about any 529 savings plan, contact the plan provider to obtain a Program Description.

¹⁸ Unlimited cash transfers can be made for paying tuition or health care costs directly to the qualified educational institution or medical provider.

¹⁹ Withdrawals prior to this age are highly restricted to qualified rollovers, including to ABLE accounts in the year that the child is 17; excess contributions; or distributions due to death. Rules for majority are generally between ages 18 and 21 but vary by state.

FIGURE 2
Comparing key features of popular accounts for child savings

Considerations	Trump account	Custodial accounts (UGMA/UTMA)	Parental brokerage/savings account	529 savings plan	Traditional IRA	Roth IRA
Qualified withdrawal uses	Any after age 59½, limited exceptions prior, and must be at or beyond the year the child turns 18*	Any for the exclusive benefit of the child.	Any, determined by parent.	Education-related expenses†	Any after age 59½, limited exceptions prior*	Any after age 59½ and five years after the account opening, limited exceptions prior*
Child income needed for contributions	▲ None	▲ None	▲ None	▲ None	▼ Taxable compensation†	▼ Taxable compensation†
Contribution limits (2026)§	▼ \$5,000 per child, split between individuals and employers, with employers limited to \$2,500 per employee¹	▲ None	▲ None	▲ States set balance limits for contributions**	▼ Up to \$7,500**	▼ Up to \$7,500**
Tax on contributions	▼ After-tax for individuals**; tax-free for all others.	▼ After-tax	▼ After-tax	▼ After-tax at the federal level; some states allow for deductions**	▲ Tax-deductible**	▼ After-tax
Tax on account earnings	▼ Deferred until withdrawal	▼ Annual income and realized capital gains, subject to kiddie taxes	▼ Annual income and realized capital gains, subject to parent tax rates	▲ Deferred until withdrawal, exempt if qualified†	▼ Deferred until withdrawal	▲ Deferred until withdrawal, exempt if qualified*
Tax on withdrawals	▼ Income tax and possible penalty on amounts greater than after-tax contributions; subject to kiddie taxes if taken while a dependent*	▼ Realized capital gains, subject to potential kiddie taxes	▼ Realized capital gains, subject to parent tax rates	▲ None for qualified withdrawals; income tax, possible penalty, and kiddie taxes on any nonqualified withdrawals†	▼ Income tax and possible penalty on amounts greater than after-tax contributions; subject to kiddie taxes if taken while a dependent*	▲ None for qualified withdrawals or withdrawing contributions; income tax, possible penalty, and kiddie taxes on any nonqualified withdrawals*
Federal student financial aid impact§§	▼ Withdrawals: up to 50% Balance: no expected impacts	▼ Withdrawals: up to 50% on capital gains and income Balance: 20%	▼ Withdrawals: up to 47% on capital gains and income Balance: up to 5.64%	▲ Withdrawals: none for qualified withdrawals Balance: up to 5.64%	▼ Withdrawals: up to 50% Balance: no impact	▼ Withdrawals: up to 50% Balance: no impact

Favorability: ▼ Less ▲ More

(Continued on next page)

- * Withdrawals from a Trump account generally align with IRAs beginning January 1 in the year the child turns 18. More information can be found in [IRS Notice 2025-68](#) for Trump accounts and [IRS Publication 590-B](#) for IRAs.
 - † More information on qualified educational withdrawals can be found in [IRS Publication 970](#). Not all states align with federal definitions for qualified expenses. For more information about any 529 savings plan, contact the plan provider to obtain a Program Description.
 - * Taxable compensation (earned income) must be received by the child for contribution eligibility. A description can be found in [IRS Publication 590-A](#).
 - § Any amount gifted to a child from an individual, no matter the account, may be subject to the applicable gift tax exclusion and may need to be reported on [IRS Form 709](#). State rules may vary.
 - † The employer limit is per employee. More information can be found in [IRS Notice 2025-68](#).
 - ** Once the balance limit is reached, contributions are suspended until the balance drops below the limit. State deductions may also be subject to later recapture if funds are used for nonqualified purposes. For more information about any 529 savings plan, contact the plan provider to obtain a Program Description.
 - ** Contributions and deductibility are subject to certain income limitations that can be found in [IRS Publication 590-A](#). Given dependent standard deduction rules, there may not be a tax advantage in making traditional IRA contributions for a dependent child unless they earn more than the single filer standard deduction.
 - ** It is not clear at this time whether Trump account contributions from individuals, other than the child, may be eligible for the annual gift tax exclusion. If not, then the donor would need to file a gift tax form, [IRS Form 709](#), and taxes may be due, subject to applicable limits.
 - §§ Weightings shown represent the portion of a withdrawal or balance that may result in a reduction of federal student financial aid. Weightings shown using Formula A for a Dependent Student based on [2026–2027 FAFSA guidelines](#). College Scholarship Service (CSS) Profile schools may use alternative weightings.
- Notes:** All information considers the sources listed and is focused on tax and federal student financial aid impacts only. The figure is for illustrative purposes based on publicly available information on Trump accounts and other accounts as of February 10, 2026. This information is for general guidance only and does not take into consideration personal circumstances or other factors that may be important in making investment decisions. We recommend consulting a financial or tax advisor before investing.

Source: Vanguard.

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Appendix

For more information about any 529 savings plan, contact the plan provider to obtain a Program Description, which includes investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing. If you are not a taxpayer of the state offering the plan, consider before investing whether your or the designated beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's qualified tuition program. Other state benefits may include financial aid, scholarship funds, and protection from creditors. Vanguard Marketing Corporation serves as distributor for some 529 plans.

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