
Benefits & Executive Compensation

Deep Dive

Trump Accounts Auto-Enroll Success Hinges on Parents' Key Step

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The US Treasury Department took a major step toward expanding access to kids' savings accounts through automatic enrollment, but benefits attorneys warn the program's success depends on parents claiming them.

Treasury recently completed the automatic enrollment of tens of millions of Trump Accounts for every eligible child under the age of 18 with a Social Security number. Trump administration officials hailed the move as a way to rapidly expand access to the program, which offers tax-advantaged accounts for children and federal seed funding for those born from 2025 through 2028.

The announcement follows a set of temporary regulations the IRS issued in which the agency said it had found a workable method for Treasury Secretary Scott Bessent to create "auto accounts" for more than 60 million children months after the July 4 launch of the program. There had been more than 7 million sign ups for accounts as of late July, leaving tens of millions of eligible children without accounts.

Benefits attorneys said the design behind automatic enrollment of millions of kids is likely well-intentioned and could increase participation, but they cautioned that parents or guardians will have to actively set up the accounts, and the administration provide education and awareness to ensure they know how.

"There is still an open question, how many parents will take that active step?" said Hillary August, a partner at Mayer Brown. "If you had a portion of the population that you were worried weren't going to open the accounts in the first place, it's not clear whether that population will still be able to go ahead and claim the accounts or will choose to do that."

Under the Sept. 29 regulations, the Treasury secretary automatically creates an account for all eligible children. But to get the \$1,000 in government seed funding for kids born from 2025 through 2028, or to make contributions to their child's savings vehicle, a parent or guardian must still "claim" the account through the program's mobile app.

Account Claims

Parents or guardians can claim their child's account through an official government app for the program. They must verify their identity and their relationship to the child, review the child's information and agree to the account terms.

Once a claim is made and approved, the parent or guardian becomes responsible for the account, which can receive up to \$5,000 in contributions from family and friends each year until the child turns 18, at which point it becomes similar to an individual retirement account.

The regulations don't specify the documentation a parent or guardian must submit to claim an account or prove their legal authority.

Benefits attorneys said Treasury was doing what it could to automatically enroll the accounts within its statutory authority, but that future congressional action could make the process easier, including by automatically depositing the \$1,000 into eligible accounts or by extending the seed funding pilot program beyond 2028.

Katie Bjornstad Amin and Elizabeth Thomas Dold, who have focused on Trump Account regulations for Groom Law Group, said the process would vastly expand the number of accounts that exist, but without proper procedures and educational efforts there will likely be "many unclaimed accounts."

"This is a big lift but an important one to manage effectively," the two said in a written statement. "We are talking millions of accounts and developing a process for funding and claiming the accounts and having meaningful guardrails to prevent abuse."

There will also be some eligible individuals who may not participate because of distrust of government institutions or skepticism about providing their information through a government app, said Jim Earle, a partner at Troutman Pepper Locke.

"If they had a paper process available, they'd probably be happy to do it," Earle said.

Treasury was unable to "fully resolve the legal and administrative issues associated with implementing broad automatic enrollment" in time for the July 4 launch of the accounts, the department said in the new regulations. Public comments responding to previously proposed regulations urged Treasury to incorporate automatic enrollment, raising concerns that families who don't file taxes, who are unfamiliar with the procedures, or have limited time and resources were missing out on the accounts.

"There was a lot of attention given to concerns that were raised by members of the public and practitioners," said Allison Martinez, née De Tal, an associate attorney at Boutwell Fay LLP. "There's going to be a lot of implementation coordination, and with any new rules there's always going to be kinks that have to be worked out."

Stock Contributions

The latest Treasury guidance could also impact the ability for donors seeking to contribute stock toward Trump Accounts.

Under the temporary regulations, direct donations of stock are allowed as long as they are being received by the accounts, not being purchased with funds in the accounts, which otherwise must be invested in low-cost index funds. The stocks must generally be held for five years in the account before being sold.

The department said it was aware that “several eligible donors who would not otherwise make cash contributions are prepared to facilitate contributions of appreciated stock” similar to the \$6.25 billion gift provided by Michael and Susan Dell for 25 million children who don’t qualify for the government seed funding. The regulations could increase the appeal for donors to contribute to the accounts, the department said.

“I credit to them trying to get creative and do something that maybe facilitates greater philanthropic contributions into the program,” Earle said. “I don’t know how much easier this facilitates the whole Trump account process from the individual perspective. I think it simplifies it from the large charitable contribution perspective.”

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