Fostering the Future
Powered by Trump Accounts

Trump Accounts represent a promising tool to improve long-term financial security for children and youth in the United States by enabling structured savings and asset protection.

Through the leadership of First Lady Melania Trump and her Fostering the Future initiative, children and youth in foster care now have a pathway to benefit from Trump Accounts. Within the foster care community, these accounts may be referred to as "Fostering the Future Accounts," reflecting on Mrs. Trump's commitment to helping youth in foster care build a stronger future.

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The Trump Administration's goal is for all States to open Fostering the Future Accounts for eligible children and youth in foster care by December 2027. Achieving this will require proactive state action to:

- Ensure all eligible youth in foster care are enrolled in Trump Accounts.
- Develop policies and systems that safeguard these accounts during changes in legal custody.

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Purpose of Fostering the Future Accounts:

What is a Trump Account?

- Trump Accounts are federally backed, tax-advantaged savings accounts for children.
- Trump Accounts are traditional IRAs with special rules designed to help children break intergenerational cycles of poverty.
- Distributions are generally permitted and taxed as ordinary income at age 18.
- Distributions prior to age 59½ are subject to an additional 10% tax unless an exception applies, such as using the distribution to pay for education expenses or purchasing a first home.
- The official Trump Accounts website provides detailed information on eligibility, contribution limits, tax advantages, and guidance for families and organizations interested in supporting these accounts.

What is a Fostering the Future Account intended to do?

- Fostering the Future Accounts are Trump Accounts opened for the benefit of foster youth. These accounts are designed to give foster youth a long-term financial foundation as they enter adulthood.
- They are intended to help young people build assets for major life milestones, including education, workforce training, homeownership, career development, and other steps toward a stable and independent future.
- They are not short-term spending accounts for routine day-to-day expenses.

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Purpose of Fostering the Future Accounts:

How can a state child welfare agency open a Fostering the Future Account for a foster child?

- A state child welfare agency may open a Fostering the Future Account for any eligible child who is in its legal custody and has been issued a Social Security Number and does not already have an account.
- Eligible children are those under 18 years old who have a valid Social Security number.
- Child welfare agencies will need to follow state-specific instructions on how to complete, sign, and submit a Form 4547 to elect to establish an initial Fostering the Future Account for an eligible child.
- The Internal Revenue Service (IRS) Office of the Governmental Liaison develops and implements cooperative partnerships between the IRS and federal, state, and local government agencies. The IRS Governmental Liaison will work directly with the child welfare agency to deliver the state-specific instructions.
- The IRS Governmental Liaison will ensure that the child welfare agency has all necessary information to complete and submit an election on Form 4547 to establish an initial Fostering the Future Account.
- ACF has launched a technical assistance center to support implementation of Fostering the Future Accounts. All states are eligible to receive free, state-specific technical assistance to make their implementation successful.

Purpose of Fostering the Future Accounts:

How is a Fostering the Future Account transferred when custody changes?

- As with Trump Accounts, a child's Fostering the Future Account is owned by the child and managed by an adult "Responsible Party." A representative of the state child welfare agency may be the "Responsible Party" for an eligible child in its legal custody.
- When a child turns 18, the child will obtain control of the Fostering the Future Account.
- When a child exits state custody for any reason other than the child turning 18 (e.g., reunification, adoption, or guardianship), the state agency or individual serving as the Responsible Party must resign as the Responsible Party and designate the child's new legal guardian as the successor Responsible Party.. Both these actions can be accomplished on the Trump Accounts website or App.
- States should establish clear procedures for transferring account authority upon custody changes both into and out of foster care.

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Withdrawals:

Will youth be allowed to withdraw funds from Fostering the Future Accounts when turning 18?

- Yes, withdrawals may be made from a Fostering the Future Account (a Trump Account) when the child turns age 18. They are subject to tax and potential penalties.
- No withdrawal is permitted prior to age 18. Withdrawals after age 18 and before age 59½ are subject to an additional 10% tax unless an exception applies.

What are eligible expenses from a Fostering the Future Account that are exempt from penalty?

- After age 18, the Fostering the Future Account becomes a Traditional IRA. Under the Traditional IRA tax rules, all withdrawals are subject to income tax and withdrawals prior to age 59½ are subject to an additional 10% tax, unless an exception applies to pay for an important life milestones and financial stability.
- Examples of exceptions from the additional tax include:
  - Higher education: Tuition fees, books, and other qualified expenses for college, university, or vocational education.
  - First-time home purchase: Qualified expenses related to purchasing or constructing a first home, subject to a $10,000 lifetime limit.
  - Medical expenses: Certain qualified medical expenses; also, health insurance premiums during periods of unemployment.
  - Birth or adoption of a child: Qualified expenses related to the birth or adoption of a child, up to $5,000 per event.
  - Personal emergencies: Qualified unforeseen emergency expenses, up to an annual limit of $1,000.

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Withdrawals:

Is rent an eligible expense from a Fostering the Future Account?

- Fostering the Future Accounts are not a rental assistance program. Distributions from the account are prohibited before the child turns 18. Agencies should connect youth who need housing assistance to other available programs and services.
- Youth who need rental or housing assistance after leaving foster care may access supports through programs such as the John H. Chafee Foster Care Program for Successful Transition to Adulthood, HUD's Melania Trump Foster Youth to Independence (FYI) initiative, state or local housing programs, or other applicable resources.
- Agencies should discuss Fostering the Future Accounts holistically with youth and caregivers alongside these other supports.

How can youth and their families/caregivers learn more about Fostering the Future Accounts to take full advantage of opportunities for their financial future?

- More information on accounts is available at TrumpAccounts.gov

Tax Treatment:

Allowable Contributions:

What allowable federal funding can child welfare agencies use to contribute towards a Fostering the Future Account?

- To date, the Administration has issued FAQs clarifying that Social Security survivor benefits and unobligated Temporary Assistance for Needy Families (TANF) funds may be used for the purposes of making contributions to Fostering the Future Accounts.
- The Administration encourages state agencies to collaborate with their state legislature and in-state partners to identify additional opportunities to bolster contributions from either state funds or private donations.

Can federal survivor benefits be deposited into a Fostering the Future Account?

- Yes. States may deposit federal survivor benefits into a Fostering the Future Account. Such deposits count towards the annual contribution limit of $5,000 per account.
- Depositing these funds into Fostering the Future Accounts helps preserve resources for the child's future needs and would generally be accessible for allowable expenses starting the year the child turns 18.

Tax Treatment:

Can Unobligated Temporary Assistance for Needy Families (TANF) funds be deposited into a Fostering the Future Account?

- Yes. States may use unobligated TANF or Maintenance of Effort (MOE) funds to contribute to Fostering the Future Accounts when expenditure is reasonably calculated to meet one or more of TANF's four statutory purposes and is described in the state's TANF State plan.

Who is required to contribute to Fostering the Future Accounts? Who is allowed to contribute? Youth-themselves? Non-profits? Private partners?

- Potential contributors may include the youth/beneficiary, parents, relatives, friends, employers, nonprofit organizations, philanthropic partners, and state, territorial, tribal, or local governments. All contributions are voluntary.

Is there a minimum amount required to open a Fostering the Future Account?

- No. Accounts may be created without an initial deposit.

Tax Treatment:

What contribution limits apply to Fostering the Future Accounts?

- In general, there is an annual contribution limit to Fostering the Future Accounts of $5,000 per account.
- However, the $1,000 pilot contribution from the U.S. Treasury for children born between 2025 and 2028, and contributions to a Qualified Class funded by a nonprofit or government entity are disregarded for purposes of the $5,000 annual contribution limit.

Who is responsible for investing funds placed in a Fostering the Future Account?

- All account balances will be automatically invested into SPYM, an Exchange-Traded Fund based on the S&P 500. Additional investment options will be made available for Responsible Parties to choose from if desired.

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Achieving a Better Life Experience (ABLE) Accounts:

Are rollovers from Fostering the Future Accounts to an ABLE account taxable? When will those funds be taxed?

- If the child is eligible for an ABLE account, the Responsible Party may request a rollover from the Fostering the Future Account to the child's ABLE account. The rollover must be completed during the calendar year in which the beneficiary turns 17.
- This rollover is not taxable and will not count toward the child's ABLE account contribution limit for the year.
- Funds in a Fostering the Future Account are generally taxed when they are distributed, but contributions that are made on an after-tax basis are not taxed when they are distributed. All earnings made within accounts are taxable at withdrawal.
- Up to $100,000 in an ABLE account may be an excluded resource for SSI.

If a child is eligible for an ABLE account and that is being used to protect earned benefits (such as survivor benefits), what is the additional benefit of that child having a Fostering the Future Account?

- A Fostering the Future Account is a kind of Trump Account. Trump accounts are the only account that can receive contributions to a Qualified Class funded by nonprofits and government entities, and can receive $1,000 pilot contributions from the U.S. Treasury for children born between 2025 and 2028.
- Because distributions from a Fostering the Future Account are generally prohibited prior to age 18, it is intended that these accounts do not count against resource or asset limits for means-tested programs such as Supplemental Security Income, Medicaid, Title IV-E the Supplemental Nutrition Assistance Program, and benefits provided to veterans, their survivors, and beneficiaries during this time period.

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Eligibility:

How will possession of a Fostering the Future Account interact with a child's eligibility for other benefits, including SSI, which has income limits?

- Because distributions from a Fostering the Future Account are generally prohibited prior to age 18, it is intended that these accounts do not count against resource or asset limits for means-tested programs such as Medicaid, Title IV-E the Supplemental Nutrition Assistance Program, and benefits provided to veterans, their survivors, and beneficiaries during this time period. However, deposits may be considered as income in some circumstances, such as in limited situations involving SSI eligibility.

In states that offer extended foster care, may the state remain the Responsible Party until a youth exits care?

- No, the foster youth will obtain control of the account at age 18.

Who provides approval for eligible youth to receive an account?

- A Fostering the Future Account can be opened for a child in foster care before the year the child turns age 18 if the child has been issued a Social Security number.
- Ultimately accounts are approved for creation by Treasury if the child is eligible and does not already have an account created.

Eligibility:

Are these accounts also available for tribal children in tribal custody placed in tribal foster care?

- Yes, tribal children are eligible for Fostering the Future Accounts under the same rules as other children.
- Tribal governments with children in their custody may work with the IRS Office of Governmental Liaison to receive the special instructions for filing the Form 4547.

Will youth in foster care born within the required birth years receive the $1,000 federal deposit?

- An individual may make an election to receive the $1,000 contribution (also called a pilot program contribution) for an eligible child who is expected to be the individual's tax dependent.
- A foster parent may be permitted to make that election if the child is the foster parent's dependent and is otherwise eligible.

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Establishing Fostering the Future Accounts:

Can States claim administrative costs related to Fostering the Future Accounts under Title IV-E?

- Yes. States may claim allowable administrative costs under Title IV-E for activities related to Fostering the Future Accounts, to the extent those activities are necessary for the proper and efficient administration of the Title IV-E program.
- Allowable administrative activities may include case management and support functions, such as assisting with account setup or coordination.
- All such costs must be:
  - Included in an approved cost allocation plan, and
  - Supported by appropriate documentation demonstrating that the activities are allowable Title IV-E administrative functions.

Do Fostering the Future Accounts count toward the $10,000 asset limit for Title IV-E eligibility?

- For children under age 18, Fostering the Future Accounts are not counted toward the asset limit, as the funds are protected and not readily accessible until the child turns 18.
- For youth age 18 and older, Fostering the Future Accounts are handled similarly to traditional IRAs when determining eligibility.
- For a child who is eligible for and has an ABLE account, the Responsible Party can request a direct rollover of the entire balance of the Trump account to the child's ABLE account in the year in which the Trump Account beneficiary turns age 17.

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Establishing Fostering the Future Accounts:

What mechanism will exist for state child welfare agencies to determine if a child may already have a Trump Account set up by their family prior to entering care?

- Because accounts are tied to the child's name, date of birth, and Social Security number, duplicative accounts will not be created for children who already have a Trump account created.
- Treasury will work with state agencies to ensure they are able to make this determination prior to submitting an election for that child.

Will states have visibility into the full number of accounts for which the state is the Responsible Party?

- Yes, the state child welfare agency serving as a responsible party for a child in foster care will maintain full visibility into all accounts they have established for foster children so long as they remain that child's responsible party.

Are state agency staff able to utilize employer identification numbers (EIN) instead of entering an SSN?

- The IRS Office of Governmental Liaison will work directly with the relevant agency for each state, territorial and tribal government (including the District of Columbia) to deliver the special instructions for filing the Form 4547, including EIN entry.

How will implementation of Fostering the Future Accounts occur in state-supervised county-administered states?

- State-supervised county-administered agencies should work with their state agency to establish the account on behalf of the child in foster care.