

## Alpha Insights: The Kids' Savings Face-Off: 529 Plans vs Trump Accounts

As an investor, you know that time is your greatest ally, especially when it comes to your children. But with new savings options hitting the scene in 2026, many parents are asking *"Where should I actually put my money?"*

The two biggest players right now are the brand-new **Trump Account** (technically the 530A account) and the recently supercharged **529 Plan**. Here's the breakdown of how they work:

### The 529 Plan

If your primary goal is education, the 529 Plan remains the gold standard, especially with the 2026 updates.

- **The Big Perk:** If the money is used for education, you pay **zero taxes on the growth**.
- **New for 2026:** You can use up to **\$20K/year for K-12 tuition**, tutoring, and even standardized test fees.
- **The Safety Valve:** You can roll over up to \$35,000 of unused funds into a **Roth IRA** for your child.

**Note for VA residents:** If you live in the Commonwealth and use a Virginia 529 plan, you have access to some powerful tax breaks. Virginia allows you to deduct contributions up to **\$4,000 per year, per account** from your Virginia taxable income.

Disclaimer: Prior to investing in a 529 Plan investors should consider whether the investor's or designated beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in such state's qualified tuition program. Withdrawals used for qualified expenses are federally tax free. Tax treatment at the state level may vary. Please consult with your tax advisor before investing.

### The Trump Account (530A)

Introduced in the "One Big Beautiful Bill" Act of 2025, this is essentially a "Starter IRA" for children.

- **The Big Perk:** For kids born between 2025 and 2028, the government kicks things off with a **one-time \$1,000 seed deposit** (deposited sometime after July 4, 2026).
- **How It Works:** You (or even an employer) can contribute up to **\$5,000 per year**. The money grows tax-deferred and is invested in U.S. stock index funds.
- **The Catch:** This is a long-term play. The money is locked up until age 18, at which point it turns into a Traditional IRA. If your child pulls money out for college, they won't pay a penalty, but **they will pay income tax on the gains**.

Disclaimer: Please note that information regarding Section 530A (Trump) accounts is still evolving and is not final. To ensure you receive the most updated information, please refer to IRS.gov or Trumpaccounts.gov.

### The Bottom Line

If you are saving for tuition, books, or even private high school, the 529 Plan is still the clear winner. The tax savings on a 529 can effectively give you a 15–25% "discount" on college costs compared to a taxable account. But remember, you don't have to choose, and many parents are opening both.

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