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Tiny Accounts, Big Future: How the OBBBA's 'Newborn IRA' Is Changing the Legacy-Planning Game

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As practitioners, including those outside of the estate-planning world—but who nonetheless serve clients with assets—it is worth being aware of a relatively new feature of the 2025 One Big Beautiful Bill Act (OBBBA) that may come up in conversations with clients. The law creates a new class of custodial retirement-style account for children (sometimes called “Trump Accounts”), and while the direct estate-planning impact may initially feel indirect, it can play a meaningful role when integrated into a multi-layered legacy and tax-planning strategy.

The Basics

Under the OBBBA, U.S. children under age 18 may be the initially the beneficiaries and after 18, the owners of a new account that essentially behaves like a traditional IRA. Contributions (up to \$5,000 per year indexed) can be made before the child turns 18, and for children born between January 1, 2025, and December 31, 2028, a one-time federal contribution of \$1,000 is supposed to be added. Until age 18, the account is held as a custodial entity, and at that point it rolls into a more structured IRA regimen being treated as such with the same penalties and retirement age restrictions. Employers may also contribute (up to \$2,500 annually, indexed) to these accounts for an employee's children, under a written plan.

For families with liquid (non-homestead) assets in the \$800k-\$1M range, this new account class offers a potential incremental avenue for wealth transfer and to compound-growth, especially in younger generations.

Why This Matters in Estate-Planning Conversations

Often, estate planning attorneys are looking for multiple options for tax savings and multi-level probate avoidance. Even when serving an estate-planning client whose primary toolbox involves trusts, life-insurance, charitable vehicles, gifting, and retirement accounts, being aware of these children's retirement accounts can open a conversation that leads to even more security an inclusion of the next generation.



It is an easy sell to explain that if the child starts very young, then compound growth is maximized. From a family-wealth perspective, capturing the initial seeded amount and the contribution space adds another layer in the multi-generation legacy game.

Coordination with trust creation, trust funding and annual tax strategies allows this type of account to possibly add to the gifting strategy for a child or children in a family. For example, a trust might make distributions to fund such an account, or a family might dedicate part of its gifting strategy to this new account rather than (or in addition to) a 529 or custodial UTMA account. For the attorney who is deeper into the estate-planning side, this option becomes one piece of a larger tapestry of wealth-transfer tools.

It Depends – Why This Isn't the “New Strategy” for Everything

While the children's retirement account is an interesting tool, it must be treated with care and in context.

Although the OBBBA legislation sets out the framework, regulatory guidance, including from the IRS, is still forthcoming with limited guidance thus far. Unanswered questions remain around how the account will operate in the trust/estate context, how funds are treated at death of the minor or after rollover, and how this plays with traditional gifting rules.

Contributions to the account count toward annual gift-tax exclusion (or require use of lifetime exclusion) from the donor's side. However, consider whether it's worth tying up these funds if the client is already making complex or multi-layered gifts.

The account rules limit investments and impose traditional IRA withdrawal rules once the child turns 18, including possible taxation and penalties. This may reduce flexibility compared to other vehicles (e.g., 529 plans, UTMA account, brokerage).

Remember, this does not replace estate planning basics and other strategies. For many of your clients—those with trusts, complex funding, business interests, Medicaid/elder law challenges, family offices—this should not shift focus away from the “big” plays (e.g., trust funding, GPOAs, Medicaid asset protection, business-succession planning). It should add to the layered strategy, not replace it.



Practical Next Steps When Advising or Referring Clients on This Type of Planning

When you meet with an estate-planning client who has minors (babies really since this is in effect for children born this year), raise this new account type as part of the “legacy roadmap.” The question to ask would be: “Have you considered using a long-term growth vehicle in your child’s name that functions like an IRA at age 18?”

Coordinate with the clients’ financial advisor or CPA. Remember, this account touches tax, investment, and retirement layers. Encourage coordination with the team: the tax advisor handles contribution and possible gift-tax interplay; the investment advisor covers account selection and growth of the funds; the estate-planning attorney ensures the account plays well with any trusts and beneficiary designations.

Include this with existing vehicles: trusts, life-insurance trusts, 529s, UTMA/UGMA, direct gifting, business-interests, etc.

Assist your clients with documenting the funding and ownership properly, especially if a trust is used to fund the account or makes contributions, ensure the trust language supports the contribution and that the minor and parent/guardian mechanics are properly aligned.

Monitor regulatory guidance and updates as this is new and evolving. One way to do so is to sign up for industry newsletters that keep you updated. Keep an eye on IRS and Treasury guidance for rollout, contribution rules, investment restrictions, distribution rules, and estate-tax interaction.

If you are already performing an annual or 3-year review of your client’s estate planning, trust funding sufficiency, asset protection strategy, or Medicaid plan, be sure to address this especially if minors born 2025 and after are in the family.

Closing Thoughts

This new children’s retirement account created under the OBBBA represents a subtle but meaningful opportunity. It won’t revolutionize the core estate-planning framework, but for families with the assets that require transferring wealth to the next generation in a tax-efficient, multigenerational way is front of mind, this is a “nice to know, should mention” tool. The key is to position it as one layer of many in a “legacy roadmap” rather than the foundation.

