

February 20, 2026

VIA ELECTRONIC SUBMISSION

Internal Revenue Service
Office of Associate Chief Counsel (Employee Benefits, Exempt Organizations, and Employment Taxes)
Attn: CC:PA:01:PR (Notice 2025-68)
Room 5503
P.O. Box 7604
Ben Franklin Station
Washington, D.C. 20044

Re: *Treasury/IRS Notice 2025-68*

Dear Sir or Madam:

The Vanguard Group, Inc. (“Vanguard”)¹ appreciates the opportunity to comment on Internal Revenue Service (“IRS”) Notice 2025-68 (“Notice”)² regarding Trump accounts. The Notice provides preliminary guidance on these accounts and indicates that the Department of the Treasury (“Treasury”) and the IRS intend to issue proposed regulations on new Internal Revenue Code section 530A and related provisions.

Vanguard supports this important program, which—by investing early in life—can help a whole generation of children benefit from the power of compound returns via long-term, low-cost index investing. We appreciate IRS and Treasury’s thoughtful work and leadership, are committed to supporting this valuable effort, and offer the following suggestions for strengthening the program to support the next generation of investors.³

Vanguard is a unique asset manager, structured as a ‘mutual’ mutual fund company, owned by the U.S. funds it advises, which in turn are owned by our investors. Our unique investor-owned structure has enabled Vanguard to offer high quality products at low costs, allowing our now 50

¹ Vanguard is a leading global investment management organization that offers a large selection of low-cost mutual funds, exchange-traded funds, investment advice, and related services to individual investors, financial professionals, and institutional investors. We manage assets globally on behalf of tens of millions of investors and act as investment adviser to more than 400 funds worldwide.

² Notice 2025-68: Notice of intent to issue regulations with respect to section 530A Trump accounts (December 2, 2025), available at <https://www.irs.gov/pub/irs-drop/n-25-68.pdf>.

³ See Vanguard research “Trump accounts: The new kid on the investment block” (February 2026) available at https://corporate.vanguard.com/content/dam/corp/research/pdf/trump_accounts_the_new_kid_on_the_investment_block.pdf, which offers many of the same suggestions as this letter. See also Vanguard’s explainer “What to know about the new Trump accounts for kids” (January 5, 2026) available at <https://corporate.vanguard.com/content/corporatesite/us/en/corp/articles/what-to-know-about-new-trump-accounts-for-kids.html>.

million individual investors to keep, and compound, more of their returns.⁴ Vanguard has cut fees more than 2,000 times since our founding (\$350 million alone in 2025 and another almost \$250 million in 2026), leading to what others have called “The Vanguard Effect.” This approach works—\$10,000 invested in what is now called Vanguard 500 Index Fund in December 1976 would be worth roughly \$2.2 million as of January 2026.⁵ In this spirit, we appreciate the opportunity to provide our perspective on key elements of the Trump accounts program and to outline how Vanguard’s experience, products, and investor-focused approach position us to contribute meaningfully to the program’s long-term success.⁶

Trump accounts help jump-start long-term saving and low-cost investing for children.

Trump accounts allow families to build savings and benefit from long-term compounding.

Several aspects of the design promote this goal: the federal seed contribution (and potential matches by third-party organizations), the requirement that assets be invested in low-cost index funds, and the limitation on withdrawals until the year a beneficiary reaches age 18. Taken together, these features create an accumulation window that supports sustained compounding, helping to prevent leakage and grow assets during a critical growth period, even when contributions may fluctuate.⁷

Each eligible child may hold only one Trump account. We support this requirement because it simplifies administration and ensures that all contributors—government entities, philanthropic organizations, employers, and family members—direct their contributions to a single shared account. This unified structure is an improvement over the fragmented, “many small pots” reality

⁴ A recent Morningstar study compared asset managers’ value creation for investors and found that Vanguard ranked first—delivering \$4.7 trillion over a 10-year period ending in 2024—more than double any other fund family. *See* “Top 15 Value Creators in the Fund Industry” (Morningstar; January 28, 2025) *available at* <https://www.morningstar.com/funds/top-15-value-creators-fund-industry>.

⁵ *See* Vanguard’s “About indexing” site *available at* <https://corporate.vanguard.com/content/corporatesite/us/en/corp/about-indexing.html>.

⁶ We also support many of the suggestions offered by the Investment Company Institute (“ICI”) and the Securities Industry Financial Markets Association (“SIFMA”) regarding the operational aspects of Trump accounts. In particular, we agree with recommendations to coordinate with existing IRA requirements; permit electronic reporting and disclosures; establish a safe harbor and grace period for investment options that become ineligible; align reporting and disclosure requirements with those for comparable account types; allow trustees to adopt reasonable policies and procedures for addressing excess contributions; create a centralized portal to help with tracking and processing contributions from multiple sources; and coordinate with other regulatory partners (i.e., SEC, FINRA, DOL, and banking regulators) to promote consistency across rules and guidance. Particularly, we agree with ICI that the definition of ETF in Q&A D-1 should be modified to include ETF share classes of mutual funds. Vanguard has years of experience with operating ETF share classes with a broad equity benchmark and believe such products would be appropriate to include as an eligible investment. *See* Letter from Eric Pan, President & CEO and Paul Cellupica, General Counsel, ICI to IRS, dated February 20, 2026; and Letter from Lisa J. Bleier, Head – Wealth Management, Retirement and State Government Affairs, SIFMA to IRS, Office of Associate Chief Counsel, dated January 29, 2026.

⁷ In some cases, money held in a child’s name may count against the child or family for certain public assistance programs, typically only once the child can access it. To remove a potential barrier to Trump account participation, policymakers should consider excluding Trump account assets from asset level tests for public assistance programs (e.g., Medicaid, Supplemental Security Income), as appropriate.

of many Americans' portfolios—a reality that often increases administrative costs and makes it more difficult for individuals to monitor and assess their overall financial preparedness.

Trump accounts come with a default low-cost equity index investment selection. This makes investing easier for families because they do not have to make complicated—and potentially expensive—initial choices, and can provide broad diversification at a low cost, enabling improved compounding over time. Vanguard's research⁸ shows that default investment solutions help investors adopt balanced investments, stay the course during periods of volatility, and avoid cash drag. What's more, by requiring a broad equity index fund as the default investment, Trump accounts prudently limit risks associated with over-concentration of specific companies, sectors, or segments. Our research⁹ demonstrates that broad-based, low-cost index funds provide consistent relative returns and clear objectives—key elements that can help investors build long-term wealth. Index funds make diversification at a very low cost accessible to families, strengthening the account's long-term design.

Important considerations for Trump accounts: auto enrollment, costs, and balance.

When looking at the new Trump accounts through the framework of *Vanguard's Principles for Investing Success*—goals, balance, costs, and discipline—we see much to like about these accounts as noted above, and opportunities to further strengthen the program as policymakers refine it.

The Notice requested comments on various aspects of Trump account administration. Here we offer suggestions on a way to simplify account creation and reach even more children, considerations for eligible investments, and the importance of keeping costs low.

Question A-1 requested comments on how an initial Trump account is created with respect to an eligible individual:

- ***Auto enrollment would improve take up and benefit more children.*** Vanguard encourages the use of auto enrollment of eligible children, as it is very effective at driving participation and early adoption, particularly among those who need the funds the most. Currently, Trump accounts can only be opened if a parent or legal guardian submits new IRS Form 4547¹⁰ for eligible children or by using an online portal available at trumpaccounts.gov. The guardian must make two separate elections, one to open the account and one to receive the federal

⁸ 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. See "How America Saves 2025" (June 2025) available at https://workplace.vanguard.com/content/dam/inst/iig-transformation/insights/pdf/2025/has/2025_How_America_Saves.pdf. In contrast, when there is no default investment, like in individual retirement accounts, many people leave their retirement savings sitting in cash, missing out on long-term growth. See "Improving retirement outcomes by default: The case for an IRA QDIA" (July 2024) available at https://digital-assets.vanguard.com/corp/public-policy/policy-research/improving_retirement_outcomes_by_default_the_case_for_an_ira_qdia.pdf.

⁹ See "How index funds can help Americans build wealth" (December 2025) available at https://corporate.vanguard.com/content/dam/corp/research/pdf/policy_brief_indexing_benefits.pdf.

¹⁰ Form 4547: Trump Account Election(s), available at <https://www.irs.gov/pub/irs-pdf/f4547.pdf>.

pilot program contribution for eligible children. Research suggests that not everyone will take the required steps to sign up, or they will delay doing it, and those most likely to miss out are lower income families for whom these accounts can be most meaningful. For example, in 401(k) plans with voluntary enrollment, just 60% of workers actively enroll, compared to 90% in plans that auto-enroll workers.¹¹ Auto enrollment boosts participation the most among lower-income workers. Even a small delay can matter. With 529 accounts, we see that account owners that wait a year from birth before opening an account have balances that are 11% lower than those who do not delay.¹² For these reasons, we encourage policymakers to consider allowing eligible children to be auto enrolled in Trump accounts.

Question D-5 requested comments on how the determination that an index is comprised of equity investments in primarily U.S. companies is made for purposes of section 530A(b)(3)(B)(ii)(I), particularly regarding the proposed safe harbor that an index will be treated as comprised of “primarily” U.S. companies if U.S companies represent at least 90 percent of the index based on their weighting in the index:

- ***The U.S.-only equity portfolio reduces potentially beneficial global diversification.*** By requiring that at least 90 percent of the assets be in U.S. companies, account holders may miss out on the potentially higher returns and lower volatility associated with greater diversification. Because U.S. citizens are already exposed to the U.S. economy through their jobs, homes, or other financial assets, providing more space for low-cost, global diversification could help them mitigate some of the risk and benefit from global growth.¹³ For example, Vanguard’s Target Retirement 2045 portfolio has just under 35 percent of its assets in broadly diversified international stocks. Accordingly, policymakers may want to consider expanding, even marginally, the global equity exposure permitted for eligible investments.
- ***A bond allocation could also improve risk mitigation as a child gets older.*** While there are positives to the 100 percent equities default investment selection, it is generally prudent to reduce portfolio risk by lowering the equity allocation and increasing the bond allocation as investors move closer to their goal date, like common investment allocations in other account types such as 529 education savings plans and target date funds. Maintaining a 100 percent equity allocation as a child gets closer to 18, the year the account transfers to the child¹⁴ and withdrawals for allowable purposes become permitted, could expose the child to increased market timing risk, including the possibility of a downturn occurring just when funds are needed. One way policymakers could help families mitigate this risk is by encouraging financial education leading up to the end of the designated “growth period,” at which point account beneficiaries gain investment flexibility but may lack knowledge to make informed

¹¹ See “How America Saves 2025” (June 2025) available at https://workplace.vanguard.com/content/dam/inst/iig-transformation/insights/pdf/2025/has/2025_How_America_Saves.pdf.

¹² See “Baby Bonds: Design principles for inclusive wealth building” (July 2023) available at https://corporate.vanguard.com/content/dam/corp/public-policy/policy-research/baby_bonds_072023.pdf.

¹³ U.S. investors already have significant home bias—over-allocating to domestic relative to international equity. See “How America Invests” (2020) available at <https://corporate.vanguard.com/content/corporatesite/us/en/corp/who-we-are/pressroom/How-America-Invests-20-12-3-20.html/>.

¹⁴ Control shifts to the account owner (child) at age of majority under state law (18 in most states) but vary based on account type (IRA vs. UGMA/UTMA).

decisions about asset allocation, diversification, and risk management appropriate for their specific goals, risk preferences, and time horizon. For example, a child may wish to transition to a target date fund designed for a retirement objective or a lower-risk bond or money market fund appropriate for an emergency savings goal at the end of the growth period, and financial education will be critical in helping make this type of decision.

Question D-4 requested comments on what it means to have annual fees and expenses of no more than 0.1 percent of the balance of the investment in a mutual fund or ETF for purposes of section 530A(b)(3)(A)(iii):

- **Keep costs low to ensure investors keep more of their returns.** Vanguard commends policymakers for ensuring that Trump accounts be invested in an index fund that costs no more than 0.10%, or \$1 for every \$1,000 invested in the account. Vanguard’s long-standing research demonstrates that costs are among the most powerful and reliable predictors of investor success and keeping costs low is central to improving long-term returns. Put simply—the lower your costs, the greater your share of an investment’s return. Furthermore, research suggests¹⁵ that lower-cost investments, like index funds, have tended, on average, to outperform higher-cost alternatives. As such, we view a lower fee cap as a critical way to help families achieve their goals.

Indeed, every basis point counts. For a child who maxes out on every possible contribution to their Trump account starting at birth, totaling \$105,400 over 18 years, paying 0.03% instead of 0.10% would amount to approximately an additional \$1,300 by age 18.¹⁶ On the other hand, a child born in 2026 who benefits from the \$1,000 pilot contribution but receives no other contributions, would have an additional \$30 by age 18 if they pay 0.03% instead of 0.10%.¹⁷ Keeping fees as low as possible helps ensure that Trump account beneficiaries retain the greatest possible share of their investment returns.

However, policymakers should be aware that there are additional ways for providers to generate revenue from Trump account assets beyond the 0.10% expense ratio cap—and they should monitor those carefully to protect families’ assets. For example, on top of investment costs, providers may charge an account fee, e.g., \$10 on a quarterly basis to administer the account. These costs erode investment returns and can compound, especially over 18 years. A child born in 2026, who benefits from the \$1,000 pilot contribution but receives no other

¹⁵ See “Vanguard’s Principles for Investing Success” (April 2022) available at <https://www.vanguardsouthamerica.com/content/dam/intl/americas/documents/latam/en/sa-2113062-vanguard-investment-principles-eng.pdf>.

¹⁶ Contributions would include \$1,000 from the government and annual combined contributions of \$5,000 from the family and the parent’s employer, growing by 2% inflation beginning in 2028. These contributions would add up to \$105,400 resulting in a balance of roughly \$186,800 on their 18th birthday with a 0.03% fund fee and around \$185,500 with a 0.10% fund fee. Assumes a 6% nominal return before fund fees. No custodian fee is assumed. Source: Vanguard calculations.

¹⁷ Market returns are assumed to be 6% before fund fees. No custodian fee is assumed. Source: Vanguard calculations.

contributions, could have about \$2,800 by the time they are 18 if they pay no account fees.¹⁸ Adding an account fee of \$10 a quarter would reduce that balance to just \$1,600 by age 18. An account fee of \$25 a quarter would completely erode the balance by age 16. There are other less obvious ways for investment managers to earn revenue off the Trump accounts—for example, some asset managers take a fee split off the securities lending revenue rather than returning all revenue back to the end investor.¹⁹

We encourage policymakers to evaluate, monitor, and report on the impact of these revenue sources to ensure they remain reasonable, transparent, and aligned with the underlying policy goal of providing Trump account investors with access to genuinely low-cost investment options.

Tax guidance raises additional considerations.

The Notice provides guidance on various other aspects of Trump account administration, such as the tax treatment of contributions and withdrawals. Here we offer suggestions related to clarifying the applicability of gift tax rules and identifying opportunities to enhance the long-term tax efficiency of these accounts.

Clarification is needed regarding the application of gift tax rules to Trump account contributions. Trump accounts do not allow a child to access funds until the calendar year the child turns 18. This is an important consideration for gift taxes as for any gifts to be eligible for the annual gift tax exclusion, there must be a “present interest”²⁰. Because the beneficiary cannot access any of the funds until the year they turn 18, there is ambiguity regarding whether there is “present interest” and whether the gift tax exclusion applies. If the exclusion were unavailable, any contributions from individuals (other than the beneficiaries themselves) would require the filing of a gift tax form, Form 709, with an election to pay taxes now, or deduct against their lifetime exemption. While 529 plans have a specific mention of meeting this requirement, Trump accounts do not.²¹ We recommend clarifying that Trump accounts benefit from the same exclusion available to 529 plans to support the program. The lack of clarity risks creating more

¹⁸ Assumes 6% annual return on investments, a 0.10% annual fund fee, and a \$10 or \$25 fee accrued quarterly and assessed at the end of the year. Source: Vanguard calculations.

¹⁹ Vanguard returns all lending revenue to investors minus the cost of running the securities lending program. In Vanguard’s count, this amounts to returning about 97% of lending revenue to investors, compared to competitors who may return less than about 64% (based on SAI filings from February 2022 to June 2023). See “An Inside Look at Securities Lending” (Morningstar; August 2023) available at https://www.morningstar.com/content/cs-assets/v3/assets/blt9415ea4cc4157833/bltefd15b295bc361a3/66164b4c99e6a1a883cb5f9b/2023_Securities_Lending_Report.pdf.

²⁰ Trump accounts do not appear to meet the definition of “present interest” as outlined in 26 U.S.C. § 2503(b) and do not appear to qualify for an exemption for minors under 26 U.S.C. § 2503(c) since (1) the unspent portion does not pass to the minor at age 21, it would remain in the Trump account, and (2) if the minor dies before 21, the account does not go directly to the minor’s estate but instead goes to the account beneficiary, which may or may not be the child’s estate based on 26 U.S.C. § 530A(d)(6).

²¹ 26 U.S.C. § 529(c)(2)(A)(i).

complex tax filing needs. This is particularly true for contributions from parents and other individuals, as most online self-service tax services do not support filing Form 709.²²

Consider making withdrawals and rollovers more tax efficient. Although Trump accounts can be used for a range of expenses, other savings vehicles may offer more flexible and less costly withdrawal options for certain goals. While qualified withdrawals are allowed once the “growth period” ends, the tax treatment of Trump accounts are similar to traditional IRAs.²³ Any taxable portion of a withdrawal is treated as unearned income for the child and may be subject to the kiddie tax, while non-qualified withdrawals may incur additional penalties. Without additional changes to the tax treatment after the growth period, such as allowing qualified tax-free withdrawals or allowing tax-free transfers to 529 plans or Roth IRAs²⁴, Trump accounts may be a good “first dollar” and “last dollar” savings vehicle for families. “First dollar” for access to critically-important seed money, followed by the use of other account types that may offer greater flexibility and lower risk of unexpected tax liabilities when assets ultimately transfer to the child (e.g., 529 plans allow tax-free withdrawals for a broad range of qualified education expenses).²⁵ This may unintentionally discourage families from using Trump account withdrawals for qualified exceptions over age 18, even though they are allowed. For these reasons, policymakers should consider making Trump account withdrawals and rollovers more tax efficient, more consistent with the tax treatment of Roth IRAs. This change would improve their attractiveness relative to alternative savings options and could help increase voluntary contributions and overall utilization.

Conclusion

Trump accounts have the opportunity to meaningfully improve the long-term savings and investment opportunities for millions of American children. To support that goal, policymakers should consider steps to improve take up, reduce tax challenges, and keep costs low. They should also work closely with the industry to ensure that providers have the information necessary to operationalize these accounts and support a smooth launch for eligible children by July 4. This clarity will help make certain that investors receive the full benefit of a low cost, accessible savings vehicle designed to promote long-term investment success. We look forward to future

²² Reviewing popular providers such as [TurboTax Online](#), [H&R Block Online](#), [TaxAct Online](#), and [TaxSlayer Online](#).

²³ 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. For more information, see the [Notice](#) for Trump accounts and [IRS Pub 590-B](#) for IRAs.

²⁴ Under current guidance, a Roth IRA conversion after the growth period is subject to the pro rata rules for taxation. Given that Trump account providers must track contribution sources during the growth period, allowing a tax-free rollover of after-tax contributions to a Roth IRA would give account beneficiaries a clean slate, reducing concerns about tracking basis and improving the usability of the account. Pre-tax contributions and earnings would go into a traditional IRA and after-tax contributions would go into a Roth IRA, similar to qualified plan rollovers. Providers could choose to implement this through an automatic rollover process immediately following the growth period.

²⁵ See Figure 2. *Comparing key features of popular accounts for child savings* in “Trump accounts: The new kid on the investment block” (February 2026) available at https://corporate.vanguard.com/content/dam/corp/research/pdf/trump_accounts_the_new_kid_on_the_investment_block.pdf.

February 20, 2026

Page 8

issuance of guidance and regulations and continued collaboration with IRS and Treasury to ensure Trump accounts give every child the best chance for investment success.

* * *

Vanguard appreciates the opportunity to engage in this request for comment process and hope our comments are helpful. If you have any questions or would like to discuss our views further, please contact Ben Barasky, Head of U.S. Advocacy, at ben_barasky@vanguard.com or Lindsay Kolb, Senior Policy Advisor, at lindsay_j_kolb@vanguard.com.

Sincerely,

/s/ Ricardo R. Delfin

Ricardo R. Delfin
Principal, Global Head of Public Policy
The Vanguard Group, Inc.