

# An Economic Analysis of the Trump Savings Accounts Proposal

ABDULRAHMAN ALAMOUDI

## Abstract:

The Trump Savings Accounts initiative proposes a \$1,000 government-funded investment for each U.S. newborn, encouraging long-term savings and market participation. While promising in intent, the policy's effectiveness and efficiency face scrutiny when compared to existing tax-advantaged accounts such as 529 plans and Roth IRAs.

## Introduction:

In 2025, President Donald Trump introduced the "Trump Savings Accounts," offering each newborn in the U.S. a \$1,000 investment account. The initiative aims to promote intergenerational wealth and national investment, funded by a remittance tax rather than traditional taxpayer channels.

## Microeconomic Implications:

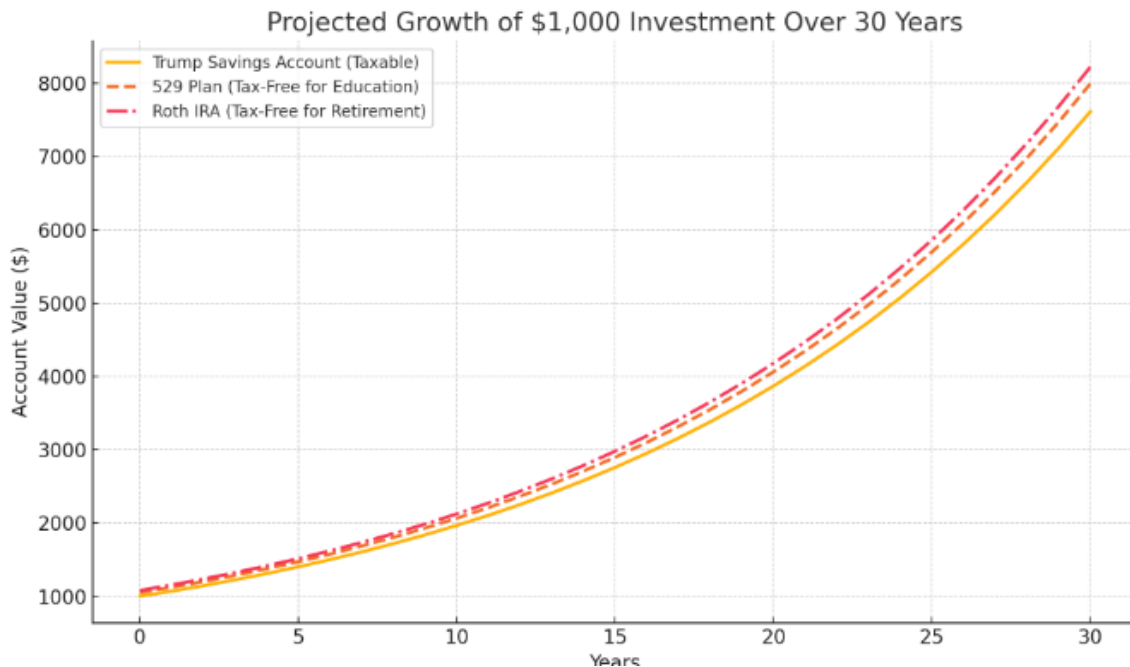
From a microeconomic perspective, the policy creates incentives for saving, potentially influencing household consumption and fertility decisions. However, its limited tax benefits make it less appealing compared to alternatives.

## Macroeconomic Impact:

Macroeconomically, the plan could slightly increase national savings and equity market capitalization. Nonetheless, the program's funding through a remittance tax and its projected \$3.6 billion cost raise concerns about its effect on the national deficit.

## Graphical Comparison:

As shown in the graph, while a Trump account could grow significantly, it lags behind 529 and Roth IRA plans due to their compounded tax advantages.



## Conclusion:

Although the Trump Savings Accounts could democratise investment access, their design may fall short of optimising long-term economic outcomes compared to existing savings instruments.

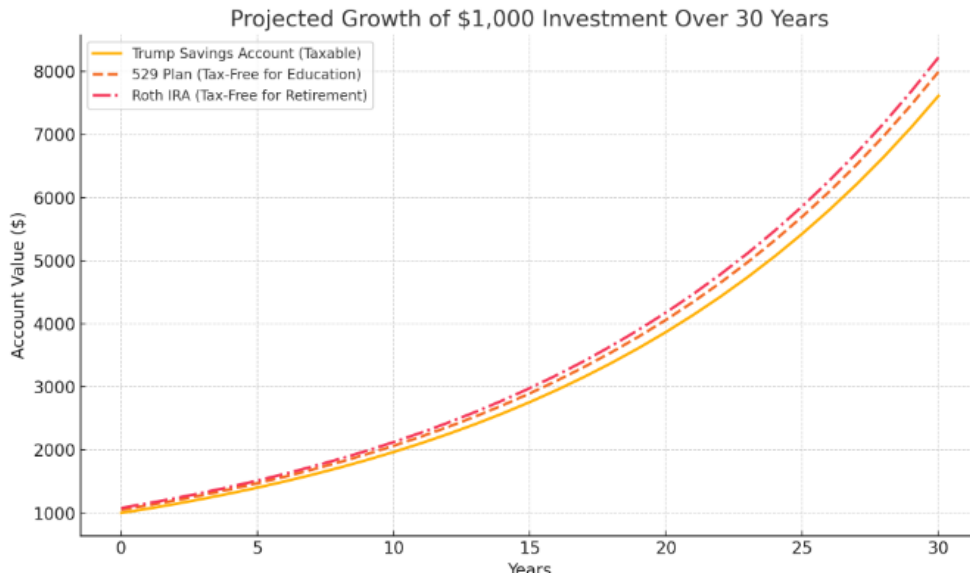
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## Appendix A: Projected Growth of a \$1,000 Initial Investment

This chart models the growth of a single \$1,000 investment over 30 years in three types of accounts:

- **Trump Savings Account (taxable):** grows at a 7% annual return.
- **529 Plan:** assumes a 5% boost due to tax-free education withdrawals.
- **Roth IRA:** assumes an 8% advantage from long-term tax efficiency.



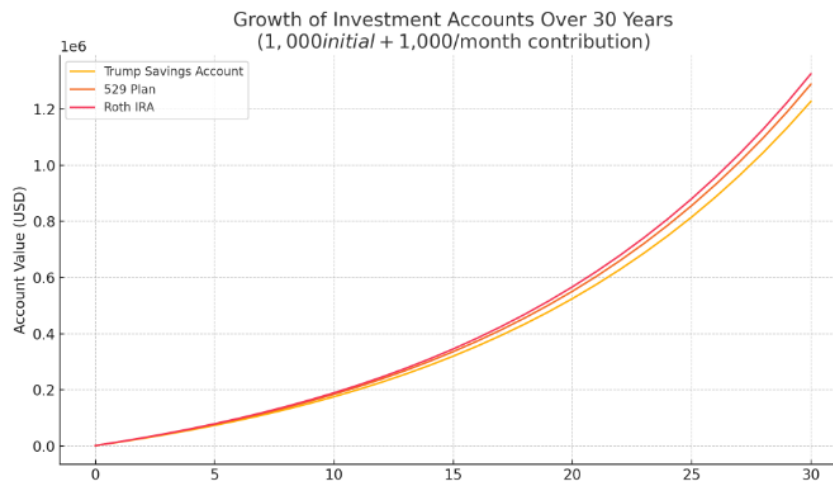
### Explanation:

This visual highlights how even a single investment, left untouched, benefits differently across accounts. The Roth IRA grows the most due to its stronger tax shelter, followed by the 529 Plan, and lastly the standard taxable account.

## Appendix B: Monthly Contributions of \$1,000 Over 30 Years

This second chart simulates what happens when parents contribute \$1,000 monthly alongside the initial \$1,000 investment, compounding monthly at 7% annually:

- **Trump Account:** regular investment account.
- **529 Plan:** includes 5% education tax advantage.
- **Roth IRA:** includes 8% retirement tax benefit.



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## Explanation:

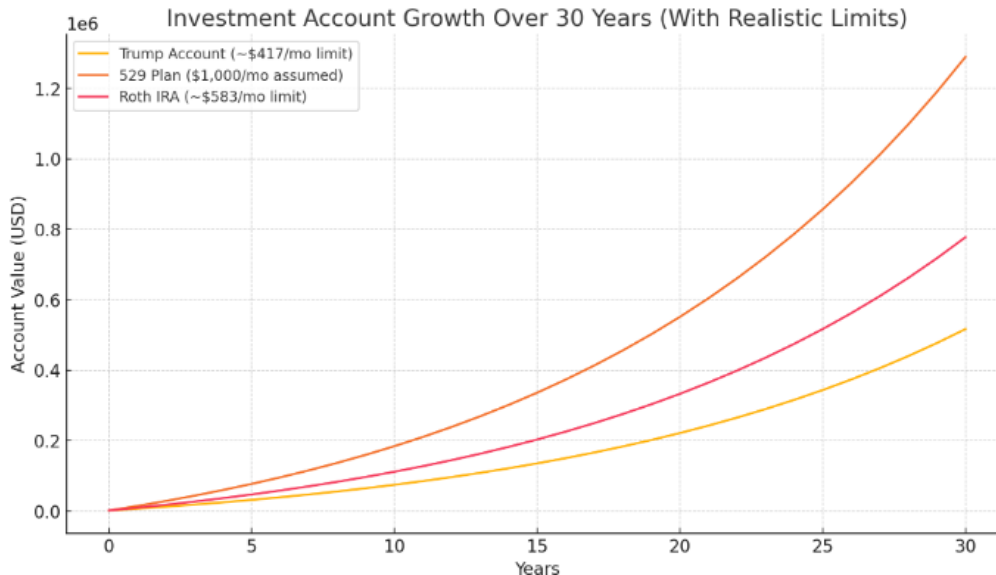
Regular monthly contributions dramatically amplify growth due to compounding. Tax-advantaged accounts significantly outperform taxable savings in the long run, especially when used for their intended purposes (education or retirement).

## Appendix C: Realistic Monthly Contribution Limits Applied

To reflect actual policy limits:

Account Type	Monthly Cap	Tax Benefits
<b>Trump Account</b>	~\$417/mo (5k/year)	Taxed on withdrawal
<b>529 Plan</b>	Assumed \$1,000/mo	Tax-free for education
<b>Roth IRA</b>	~\$583/mo (7k/year)	Tax-free for retirement use

This chart recalculates growth using these legal or typical contribution ceilings.



## Explanation:

When we factor in realistic monthly limits, the gap between accounts narrows, but 529 Plans and Roth IRAs still show meaningful long-term advantages. This emphasizes the importance of early planning and choosing the right vehicle based on the intended use.

Scenario	Trump Account (~7%)	529 Plan (~7% + 5%)	Roth IRA (~7% + 8%)
<i>Appendix A: One-Time \$1,000 Investment</i>	\$7,612	\$7,993	\$8,221
<i>Appendix B: \$1,000 Monthly Contributions</i>	\$1,407,122	\$1,477,478	\$1,520,892
<i>Appendix C: Realistic Contribution Limits</i>	\$490,446	\$1,477,478	\$887,934