Technical Appendix for Trump Accounts Impact Assessment

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Appendix

To model the growth of Trump Accounts, I simulate 1,000 wealth paths for a representative child receiving the program's one-time $1,000 federal seed contribution and project outcomes through age 55. Investment returns are modeled stochastically based on Morningstar's U.S. large-cap capital market assumptions, net of an annual fee of 10 basis points. All results are reported in nominal dollars, and annual contributions (which occur until the beneficiary turns 18) are assumed to increase at 2.5% per year, which serves as our proxy for inflation.

The analysis considers a range of contribution scenarios. The seed-only scenario reflects the $1,000 federal seed contribution, while the seed-plus-employer-match scenario adds a one-time $1,000 employer matching contribution for a total initial contribution of $2,000. I also model scenarios with annual inflation-indexed contributions of $250, $1,000, $2,500, and $5,000 until age 18. These reflect cases in which families and/or employers make ongoing contributions, on top of the federal seed money, to help build up the balance.

Because not all beneficiaries are likely to keep their assets invested after they can access their accounts, I model the possibility of full account liquidation at ages 18 and 30. I model potential liquidation at age 18 because it is the first point at which account holders would be able to access their funds. The funds could be used to help fund education, training, or various other expenses that occur during the transition to adulthood. The age-30 event is intended to proxy the possibility that the balance is used to meet other financial needs that arise, such as a down payment for a house. The probability of liquidation is determined by the account balance at the time of the event, with larger balances assumed to be less likely to be liquidated than smaller balances. Liquidation probabilities are based on observed retirement-plan cash-out behavior (Vanguard's How America Saves 2026). Specifically, I use the complement of the preservation rates in Figure 118 as the probability of liquidation.

Since Trump Accounts are a new program, there is no direct evidence regarding how beneficiaries will use these assets. While retirement-account cashout rates are imperfect, I believe this is a reasonable framework to apply in this analysis because it captures one of the most important determinants of long-term outcomes: whether assets remain invested after access is obtained.

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