



NEST 529 Plan vs. Trump Account (530A)

A Side-by-Side Comparison for Families Saving for College

Common questions families ask when comparing these two education and savings options.

Q: My child already has a 529 plan. Should I also open a Trump Account?

A: For many families, yes – especially for families with children born between 2025 and 2028, and who qualify for a free \$1,000 government seed contribution. Experts broadly recommend a blended approach: continue using your 529 plan as your primary education savings vehicle (because of its superior tax-free withdrawals for qualified expenses and Nebraska’s state income tax deduction), while also opening a Trump Account to capture the seed money and give your child an early advantage on long-term wealth building and eventual retirement savings. The two accounts serve different purposes and complement each other well.

Q: Why is the 529 plan generally better for paying for college?

A: The key difference is the tax treatment of withdrawals. With a NEST 529, qualified education withdrawals are completely tax-free — meaning neither the principal nor the earnings are subject to income tax. With a Trump Account (which functions like a traditional IRA), even qualified education withdrawals are subject to ordinary income tax. That tax burden on withdrawals can meaningfully reduce the after-tax dollars available to pay tuition, especially as account balances grow over many years. In addition, NEST 529 Plans offer no annual contribution limits, broader investment options, a Nebraska state income tax deduction, and far greater flexibility in how funds can be used. Trump Account investment options are also significantly more restricted: eligible investments are limited to mutual funds or exchange-traded funds tracking a broad U.S. equity index, with annual fund expenses capped at 0.10% (10 basis points), and no bond, international, or money market options are permitted during the growth period.

Q: What if my child does not go to college or does not use all of the NEST 529 funds?

A: You still have options. You can keep the money invested for future education, change the beneficiary to another eligible family member, use the account for other qualified education or credentialing expenses, roll eligible unused funds to the beneficiary’s Roth IRA, roll to an ABLE account if applicable, or take a nonqualified withdrawal subject to tax and penalty rules.

Q: What happens if my child receives a scholarship?

A: A scholarship does not mean the 529 money is trapped. You may keep the funds invested, change the beneficiary, use them for other qualified expenses, or withdraw up to the amount of the scholarship without the 10% federal penalty, although the earnings portion may still be subject to income tax.

Q: What happens to the Trump Account when my child turns 18?

A: On January 1 of the year the child turns 18, the Trump Account transitions and begins operating under traditional IRA rules. At that point, the child owns the account and controls distributions, subject to the same IRA restrictions that apply to adults — meaning early withdrawals (before age 59½) are generally subject to ordinary income tax plus a 10% penalty, with exceptions for qualified education expenses, first-time home purchases, and certain other limited events. The account cannot simply be cashed out for education expenses tax-free the way a 529 plan can.

Q: Could these accounts affect financial aid?

A: Yes, but the rules differ and may evolve. Parent-owned 529 accounts generally receive favorable Free Application for Federal Student Aid (FAFSA) treatment compared with student-owned assets, while Trump Accounts are new and account-specific financial-aid guidance is still developing. Families should confirm current treatment before relying on either account for financial-aid planning.

Q: Should I stop contributing to my NEST 529 now that Trump Accounts exist?

A: You should consult your financial advisor or other professional, but for most families, the answer is no. For families focused on education savings, the NEST 529 Plan remains the superior vehicle. Trump Accounts were originally conceived as college savings tools, but their final form more closely resembles a custodial individual retirement account (sometimes referred to as a “baby IRA”) with heavy restrictions on investment choices, low annual contribution limits, and taxable withdrawals even for education. The One Big Beautiful Bill Act (OBBBA) that created Trump Accounts also expanded qualified uses of 529 plans, reinforcing 529 plans as the preferred education savings vehicle. Nebraska families have the added benefit of a state income tax deduction of up to \$10,000 per year on NEST 529 contributions. Most financial planners recommend continuing to fund your 529 for education while using a Trump Account as a supplemental long-term wealth-building tool — especially to capture any available seed money.

Q: What happens if I accidentally contribute too much to the Trump Account?

A: The annual contribution limit for Trump Accounts is \$5,000 per year from all sources combined (excluding the federal seed contribution and qualified general contributions). If total contributions exceed this limit, excess funds are automatically moved to a separate Supplemental Account — a standard taxable custodial account governed by UGMA/UTMA rules — that does not receive tax-deferred treatment. By contrast, NEST 529 has no plan-imposed annual contribution limit; contributions are accepted until the total account balance reaches \$550,000 per beneficiary, and there is no spillover to a taxable account.

Q: Can my child have more than one Trump Account?

A: No. Federal law permits only one funded Trump Account per beneficiary at any time. If you want to roll the account to a different custodian, you must transfer the entire balance — partial transfers are not permitted. By contrast, families can open and maintain multiple NEST 529 accounts for the same beneficiary (for example, parents and grandparents can each maintain separate accounts), providing greater flexibility in how education savings are structured and managed.

Key Takeaways

- **For education savings, NEST 529 offers significant advantages** — including completely tax-free withdrawals for qualified expenses, no plan-imposed annual contribution limits, broader investment options, account-owner control, and a Nebraska state income tax deduction.
- **You are not stuck with unused funds** — NEST 529 offers multiple options for remaining funds including beneficiary changes, Roth IRA rollovers, ABLE rollovers where applicable, use for student loan repayment, use for broader education or credentialing expenses, and nonqualified withdrawals if needed.
- **Trump Accounts can complement — but not replace — your NEST 529** — Consider opening a Trump Account to capture available seed money while continuing to use NEST 529 as your primary education savings vehicle and reviewing Trump Account rules as additional guidance is issued.



Have Questions? We're Here to Help.

To learn more about the NEST 529 Plan or to open an account, visit [NEST529.com](https://www.nest529.com). You can also reach out to a financial advisor or contact NEST directly at 1-888-993-3746. Our team is happy to answer any questions about how NEST 529 can help you save for your family's education goals.

Important Nebraska Tax Note

Some withdrawals that are federally qualified may be treated as Nebraska Non-Qualified Withdrawals and may result in Nebraska income tax consequences or recapture of previously claimed Nebraska deductions. Nebraska taxpayers should review current NEST guidance and consult a tax professional before taking withdrawals for K-12 expenses, student loan repayment, credentialing expenses, or other expanded uses.

Important Disclosures

This document is for informational purposes only and does not constitute tax, legal, investment, or financial advice. You should consult a qualified tax professional, attorney, financial advisor, or other professional regarding your specific situation before making any decisions based on the information provided.

Before investing, consider whether your or your beneficiary's home state offers tax or other benefits that are available only for investments in that state's qualified tuition program. Investments in NEST are subject to investment risk, including the possible loss of principal, and investors should read the applicable program disclosure materials and consult their tax, legal, or investment advisor regarding their specific situation.