Fostering the Future Accounts

A New Asset-Building Opportunity for Children and Youth in Foster Care

Fostering the Future Accounts offer states a new opportunity to help children and youth in foster care build assets for adulthood. These federally authorized, tax-advantaged accounts are designed to provide young people with a long-term financial foundation that can support major life milestones such as education, workforce training, homeownership, and career development.

Federal guidance now provides a pathway for state child welfare agencies to open accounts on behalf of eligible children and youth in foster care. The federal government has set a goal of having all states establish accounts for eligible children and youth in foster care by December 2027.

How the Accounts Work

Who is eligible?

A state child welfare agency may establish an account for a child under age 18 who is in its legal custody, has a valid Social Security number, and does not already have a Trump Account.

Who owns the account?

The account belongs to the child and is managed by an adult "Responsible Party." While a child is in state custody, a representative of the child welfare agency may serve as the account's "Responsible Party." If custody changes because of reunification, adoption, or guardianship, responsibility for managing the account transfers to the child's new legal guardian. At age 18, control transfers to the young person.

Does the state have to make an initial contribution?

No. An account can be established without an initial deposit. Once established, however, the account creates a vehicle through which assets can be built for the young person over time.

Who can contribute?

Contributions are voluntary and may come from many sources, including youth themselves, parents and relatives, employers, nonprofit and philanthropic organizations, and state, tribal, territorial, or local governments.

In general, accounts have a $5,000 annual contribution limit. However, the federal $1,000 pilot contribution available for certain eligible children born from 2025–2028 and contributions to a Qualified Class funded by nonprofit or government entities do not count toward that $5,000 annual limit.

Can states use public funds to build the accounts?

Federal guidance identifies several possibilities. States may deposit Social Security survivor benefits into an eligible young person's account, subject to the annual contribution limit. States may also use unobligated TANF or Maintenance of Effort funds when applicable federal requirements are met.

States are encouraged to work with legislatures and in-state partners to identify additional public and private funding opportunities. For example, Oklahoma has already passed a law, the Oklahoma Dream Accounts Investment Program Act, which appropriates funds that allow for a $250 contribution to the 530A accounts of all eligible children and youth in the state, including young people in foster care.

What Happens to the Money in Fostering the Future Accounts?

Funds are intended to build long-term assets rather than pay for routine expenses while a young person is in foster care. Withdrawals are not permitted before age 18.

At age 18, the account becomes a traditional IRA and the young person gains control of it. Withdrawals are subject to applicable tax rules. Certain uses may qualify for exceptions from the additional tax generally applied to early IRA withdrawals, including qualified higher education expenses, first-time home purchases, certain qualified medical expenses, birth/adoption of a child. Withdrawals before retirement age are subject to income tax rates and withdrawals for purposes that are not among the listed exceptions are subject to an additional tax penalty.

Account balances are automatically invested in an exchange-traded fund based on the S&P 500, with additional investment options expected to be available.

What Does a State Need to Do to Open Accounts for Children and Youth in its Custody?

State action is required. Child welfare agencies must establish a process for identifying eligible children and opening accounts, as well as procedures to safeguard and transfer responsibility for accounts when legal custody changes.

States do not have to figure this out alone. ACF has established a technical assistance center, the Fostering the Future Accounts Advancement Center (FTFAAC), offering free, state-specific implementation assistance, and the IRS Office of Governmental Liaison will work directly with state agencies on the process for establishing accounts.

Allowable state administrative activities associated with implementation may also be eligible for Title IV-E administrative reimbursement, when applicable federal requirements are met.

Why This Matters

Early asset building has been shown to positively impact an individual's expectations for the future and provide the stability of a meaningful safety net. However, young people leaving foster care frequently enter adulthood without the financial safety net available to many of their peers or the assets that provide emerging adults the confidence to pursue their dreams for things like higher education and training and homeownership. Fostering the Future Accounts provide states with a new vehicle to begin building assets on their behalf. Assets that belong to the young person and can grow over time.

Opening the accounts is an important first step. Their greatest potential will come from pairing broad enrollment with strategies to build meaningful balances over time through public investment, philanthropy, employers, businesses, community partners, and other contributors and ensuring that young people have access to financial management instruction and counseling.

Advocates Can Help

State advocates can encourage governors and child welfare leaders to:

- Establish accounts for all eligible children and youth in foster care;
- Develop clear policies for managing accounts when custody changes;
- Include young people with lived experience in implementation planning;
- Ensure that young people have access to financial management instruction and counseling;
- Ensure youth and caregivers understand the accounts and their long-term purpose; and
- Develop public-private strategies to build meaningful assets in the accounts over time.

Federal Resource:

The Administration for Children and Families offers a wide range of resources to support implementation. See these resources, which include:

- ACF Dear Colleague Letter (DCL)
- Joint ACF and Treasury Department Frequently Asked Questions (FAQ) on Fostering the Future Powered by Trump Accounts
- Treasury, IRS guidance on Trump Accounts
- Internal Revenue Service Account Information
- Update to Form 4547 for State, Territorial and Tribal Child Welfare Agencies
- ACF DCL on Leveraging Temporary Assistance for Needy Families
- (TANF) to Support Trump Accounts
- Social Security Administration to Launch Process to Assist Enrollment in Trump Accounts
- Treasury and IRS to Accept Philanthropic Stock Contributions for Trump Accounts
- Treasury Announces Employer Contributions to Trump Accounts
- Drawing Corporate Support
- Treasury, IRS provide safe harbor for certain contributions to Trump Accounts under the Working Families Tax Cuts | Internal Revenue Service