



Investment Solutions, Inc.

The Long Run Newsletter

Volume 19 Issue 6 | June 2026



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A Look at Diversification

Ancient Chinese merchants were said to have developed a unique way to manage their risk. They would divide their shipments among several different vessels. That way, if one ship were to sink or be attacked by pirates, the rest stood a good chance of getting through. Thus, the majority of the shipment could be saved.

Your investment portfolio may benefit from that same logic.

Diversification is an investment principle designed to manage risk. However, diversification does not guarantee against a loss. The key to diversification is to identify investments that may perform differently under various market conditions.

On one level, a diversified portfolio should be diversified between asset classes, such as stocks, bonds, and cash alternatives. On another level, a diversified portfolio also should be diversified within asset classes, such as a diverse basket of stocks.

A Diversified Approach

For example, let's say a stock portfolio included a computer company, a software developer, and an internet service provider. Although the portfolio has spread its risk among three companies, it may not be considered well diversified, as all the firms are connected to the technology industry.

A portfolio that includes a computer company, a drug manufacturer, and an oil service firm, however, may be considered more diversified.

Similarly, a bond portfolio that invests exclusively in long-term U.S. Treasuries may have limited diversification. A bond fund that invests in short-term and long-term U.S. Treasuries, plus a variety of corporate bonds, may offer more diversification.

Mutual Funds and ETFs

The concept of diversification is one reason why mutual funds and Exchange Traded Funds (ETFs) are so popular

among investors. Mutual funds accumulate a pool of money that is invested to pursue the objectives stated in the fund's prospectus. The fund may have a narrow objective, such as the auto sector, or it may have a broader objective, such as large-cap stocks. ETFs also can have a narrow or broader investment objective. Keep in mind, though, the more narrow an investment objective, the more limited the diversification. Furthermore, a narrow investment objective may result in more volatility and additional risks associated with a particular industry or sector.

The concept of diversification is critical to understand when you are evaluating a portfolio. If you want more information on diversification or have questions about how your money is invested, please call us to review your situation.

Mutual funds and exchange-traded funds are sold only by prospectus. Please consider the charges, risks, expenses, and investment objectives carefully before investing. A prospectus containing this and other information about the investment company can be obtained from your financial professional. Read it carefully before you invest or send money. Shares, when redeemed, may be worth more or less than their original cost.

Introducing the 530A Accounts

In 2026, families across the United States will gain access to a new financial tool designed to enhance their children's financial futures: the 530A account, commonly known as "Trump Accounts." This account is specifically crafted for newborns, but it also has another, lesser-known feature. The federal government plans a \$1,000 contribution to each account for children born between January 1, 2025, and December 31, 2028, through a pilot program.^{1,2}

What is a 530A Account and Who Can Open One?

The 530A account was introduced under the One Big Beautiful Bill Act. Accounts are available for all American children under age 18, which has been largely overlooked. The attention has been on the \$1,000 federal seed money that's for babies born between Jan. 1, 2025, and Dec. 31, 2028.^{1,2}

To establish the account, the minor must possess a Social Security number and be under 18 years old as of December 31 of the year the account is opened. Each child is permitted only one account.

Opening a 530A Account

Parents, legal guardians, adult siblings, or grandparents can open a 530A account for eligible children by submitting Internal Revenue Service (IRS) Form 4547. The form serves as the election to create the account.^{1,2}

Availability and Contribution Guidelines

530A accounts will become available in 2026, with contributions commencing after July 4, 2026. Contribution limits are \$5,000 per child per year. This limit includes contributions from parents, families, and up to \$2,500 from employees and other organizations.^{1,2}

How much could your child's account be worth before they graduate high school?

Adjust the inputs below to see how contributions, interest, and the \$1,000 federal seed impact long-term growth.

Annual contribution

\$/ yr
\$0\$5,000 max
Assumed annual return
%
1%8% max
Include \$1,000 federal seed money
Value at year 18 = **\$166,654**
Total contributed = **\$91,000**
Growth from interest = **\$75,654**

At these settings, interest alone adds \$75,654 — money your family never had to save.

This is a hypothetical example used for illustrative purposes only. It is not representative of any specific investment or combination of investments. Actual results will vary. Contributions are subject to annual limits and eligibility requirements. Past performance is not a guarantee of future results.

Investment and Withdrawal Regulations

Investments must adhere to the criteria set by the U.S. Treasury Department. The account will be subject to the same required minimum distribution (RMDs) rules as a traditional IRA, which means once you reach age 73, you must begin taking distributions in most circumstances. Withdrawals are taxed as ordinary income and, if taken before age 59½, may be subject to a 10% federal income tax penalty.^{1,2}

Integration into Family Financial Strategy

530A accounts provide practical experience in saving and investing. Contributions from external sources, such as employers, governments, and charitable organizations, may make the accounts even more attractive.^{1,2}

Can It Be Converted to a Roth IRA?

Yes. The initial guidance indicates a Roth IRA starting in the year the individual turns age 18. Once the Roth IRA is open, the new account could have decades of tax-free growth from the money that was originally placed in the account.

Remember, the original Roth IRA owner is not required to take minimum annual withdrawals. Plus, Roth distributions must meet a five-year holding period and occur after age 59½ to qualify for the tax-free and penalty-free withdrawal of earnings. In certain other circumstances, tax-free and penalty-free withdrawal can also be taken, such as following the owner's death.

"Trump accounts" may not be right for everyone, but they may be worth exploring. Let's discuss what role a 530A account can play in your future.

Citations:

1. IRS.gov, December 4, 2025
2. House.gov, March 31, 2026

For Your Information

- We are open from 9:00 a.m. – 5:00 p.m. Monday through Thursday, and 9:00 a.m. – noon on Fridays.
- We are open during the lunch hour.
- We have a mail drop on the far north door of the building. If you have any information you would like to deliver after normal business hours please drop it off there.
- We will be closed Friday, July 3rd and Monday, July 6th for the 4th of July Holiday.

June is the time for dreams to take flight.

June is the pearl of summer, shining with
warmth and joy.
- L.M. Montgomery



Long & Associates, P.C.

Assisting you with accounting, tax preparation, and tax planning

Investment Solutions, Inc.

Advising you and creating strategies for investment and retirement planning

Benefit Resource Group, Inc.

Handling employee benefits and other business services

Whether you need one of these services, or all three, you'll work with the same professional, knowledgeable staff with our Comprehensive Solutions Program

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