

CBS Mornings

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[ON-SCREEN HEADLINE: Money Watch; Bessent on Powell Investigation & Trump Accounts]

KELLY O'GRADY: Turning to the economy. Jerome Powell's Federal Reserve voted to keep interest rates steady despite pressure from the President to cut them. That's one of the topics we covered in our conversation with Treasury Secretary Scott Bessent. We had a lot to discuss including the new Trump Accounts help parents save. Let's start with the Justice Department investigation of Powell. Treasury Secretary Scott Bessent says no one is beyond reproach, even the Federal Reserve. [TO BESSENT] The Department of Justice is investigating Fed Chair Powell. What message should be sent to future Fed chairs as the President is about to announce who will succeed Powell?

TREASURY SECRETARY SCOTT BESSENT: I think that the message is that independence does not mean no accountability. I — I have been calling for the Fed to do an internal investigation on numerous things since last spring.

O'GRADY: We also discussed the new Trump Accounts.

BESSENT: We're going to give every newborn American child a financial stake in the future.

O'GRADY: Tax-deferred investment accounts, U.S. citizens with a child under 18 can opt into when filing taxes.

BESSENT: For the families who have children between January 1, 2025 and December 31, 2028, you've got \$1,000 coming from the government.

O'GRADY: Parents, employers and non-profits can make contributions in any Trump Account up to \$5,000 annually. If the government's initial \$1,000 deposit is left alone it could grow to \$5,800 in 18 years, but by contributing the maximum over \$300,000. [TO BESSENT] How are you going to prevent the wealth gap from widening with this program?

BESSENT: Well, I think that that is a terrible criticism. It shows how out of touch anyone who says that is, because if they say only \$5,000, these are families — huge number of families in America wouldn't have \$500 to meet a medical emergency.

O'GRADY [TO BESSENT]: If they aren't able to go out and pay for college, to go buy a home eventually, if it hasn't really meaningfully changed their ability to do that, would you call this a failure or is there a different way that the Treasury measures success in this particular program?

BESSENT: As I said, so many Americans couldn't even meet \$500 emergency, so maybe people

just put it away and it's their rainy day fund.

O'GRADY: CBS News business analyst Jill Schlesinger is with us now. Good morning, Dollar, Dollar Jill.

JILL SCHLESINGER: Good morning.

O'GRADY: So you just heard the Treasury secretary talk about, what is your read on what parents need to know and how it is going to work?

SCHLESINGER: If you had a baby the last year and you're going to have one in the next three years, take the \$1,000. This is fantastic. I mean, it is free money.

O'GRADY: Something is better than nothing?

SCHLESINGER: Absolutely. And what we know is the money grows without any taxation. So, you know if you have money in the bank and you have an interest payment, that's taxable. These accounts are not taxable until you take the money out or until the beneficiary does. So, you know, it's very interesting to me that there's a way to have this money growth — think of it more like your kid's account as if it were an IRA. Hasn't been taxed yet. When you do, the tax is due, whatever the tax bracket of the kid. So, this is all good news. It may not be a game changer, but something's better than nothing.

O'GRADY: We hear a lot about the 529. Compare this.

SCHLESINGER: Well, this is really a little bit more flexible in some ways, but if you are saving for education or maybe potentially for little retirement, I much prefer the 529.

O'GRADY: Okay.

SCHLESINGER: First of all, the money that goes into the 529, you don't get a deduction federally, but basically some states are giving you state income tax deduction and that's great. The money grows without taxation. When you take it out for education, whether it is secondary school or college, no tax due at all, so it makes it a much better plan. And, also, any unused 529 plans can be rolled into a Roth IRA for the beneficiary up to \$35,000. I think the 529 is a little stronger of a vehicle if you are putting money in yourself. Again, the \$1,000 from the government is great. Before you put your contribution into that new account I would look at the 529.

O'GRADY: Yeah, I think that's a helpful comparison. And I like your thoughts on this. Something is better than nothing, but if you aren't able to continue contributing to it, it is not going to grow to the big number we showed on screen. Before I let you go, we talked about the interest rate decision. Powell, you know, I talked to the secretary about that. What is this going to mean for consumers, right? Because we had a hold. It was expected.

SCHLESINGER: Right. If you're a borrower it is going to continue to cost money to pay the credit card balance, auto loans remain high, personal loans remain high. If you're a saver, hey, go in and lock in those CD rates. They're still pretty juicy, three percent, four percent. Put it in a high-yield checking account and you're still getting good interest. So, something for borrowers that is not so good, but the savers do actually get more money in their pockets.

O'GRADY: Appreciate you, Jill.

SCHLESINGER: Thank you.

O'GRADY: Thank you for the context. And you'll be able to watch our extended interview with Secretary Bessent when it's posted today on CBSNews.com and our *CBS Mornings* YouTube page.