



Make a charitable impact with your IRA

Qualified charitable distributions (QCDs) are available at age 70½

Do you want to benefit one or more charities during your lifetime and have reached the age of 70½? If so, you can send up to \$100,000 of IRA withdrawals each year directly to a qualified charity without recognizing these withdrawals as income. This type of IRA withdrawal is known as a “qualified charitable distribution (QCD)” and it will count toward satisfying the required minimum distribution (RMD) you must take from your traditional IRA(s) each year.

For example if your RMD is \$140,000 this year, you can send \$100,000 directly to a qualified charity tax-free and take the remaining \$40,000 as a taxable RMD. But you are not limited to taking the amount of your RMD as a QCD. For example, if your RMD is \$60,000, you can send \$60,000 directly to a qualified charity to fulfill your RMD, or send a full \$100,000 and not include the \$100,000 in income.

You may be wondering how a QCD is different from taking your IRA distribution personally (for example a check payable to you), and then making a charitable donation from your personal funds. There are a number of scenarios where a QCD may be more tax efficient:

- **Standard deduction:** If you don't itemize your deductions on your tax return (which will be more common for many people starting in 2018), you might save on taxes by doing a QCD.
- **Medicare tax:** A QCD may keep your income below the Medicare high-income surcharge threshold of \$250,000 per couple, saving you 3.8% additional tax on net investment income.
- **Social Security:** Since Social Security is taxable when income exceeds certain thresholds (e.g. \$44K for married couples), by taking a QCD, you'll have less of your Social Security income taxed.
- **Full deduction of charitable contribution:** Since you can only deduct charitable contributions of cash you make personally up to 60% of your Adjusted Gross Income (“AGI”) (subject to a five-year carry forward for excess contributions), a QCD enables you to get the full benefit of the contribution regardless of your AGI.

Donations that are not eligible for QCDs:

- Donor advised funds, private foundations and supporting organizations are not qualified charities to receive QCDs.
- A charitable contribution that results in you receiving anything of value does not qualify as a QCD.

Other QCD rules:

- You must be at least 70½ at the time you request a QCD.
- The IRA custodian must make the payment directly to the charity.
- While the maximum annual QCD is \$100,000, if you're married filing a joint return, your spouse can also do a QCD up to \$100,000.
- The QCD must generally come from a traditional IRA you own as the original owner or a beneficiary. For example, SEP IRAs and SIMPLE IRAs only qualify if they are inactive, i.e. the employer sponsoring the plan is no longer funding it.
- The amount of the QCD is limited to the amount of the distribution that would otherwise have been included in income (so, you could only use your Roth IRA to make a QCD if your Roth IRA distribution is not a qualified distribution and is therefore taxable).
- If you ever made nondeductible contributions to any of your traditional IRAs, generally each requested distribution is treated as partially taxable and partially non-taxable. However, a special rule applies to QCDs—the distribution is first considered to be paid from otherwise taxable funds. This has the potential to reduce the tax liability on future distributions you take personally.
- IRA custodians are required to report QCDs as normal distributions to you and the IRS (or as a beneficiary distribution if from an inherited IRA). Make sure you inform your tax advisor that you have taken a QCD so you as the taxpayer can properly indicate that on your tax return.

Talk to your Financial Advisor if you'd like to donate to a charity by taking a qualified charitable distribution from your IRA.

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