

How to turn your RMD's into Qualified Charitable Distributions

For some people Required Minimum Distributions (aka. RMDs) are a frustrating requirement. While there is no way to avoid RMDs, there is a provision in the law allowing you to satisfy your RMD requirements, lower your taxable income, and satisfy your charitable giving goals at the same time.

What is a Qualified Charitable Distribution?

A Qualified Charitable Distribution (aka. QCD) allows Traditional IRA owners who are at least age 70-1/2 to directly transfer funds from their IRA to a qualified charity. The dollar amount of the transfer will be excluded from the account holder's adjusted gross income. The maximum allowed per taxpayer, per year is \$100,000. If the account holder is over the age of 72, a QCD can be used to satisfy their Required Minimum Distribution each year.

How to make a Qualified Charitable Distribution?

1. The charity that you are contributing to must be a Qualified 501(c)3 organization. Private organizations and Donor-advised funds **do not** qualify.
2. The distribution must be made directly to the charity. The account owner is allowed to deliver the check to the charity, but they cannot deposit the check into one's own bank account and write another check to the charity.
3. The owner must get a written receipt from the charity in the amount gifted to verify the transaction.

Why use the Qualified Charitable Distribution Rule?

The Qualified Charitable Distribution Rule allows you to satisfy your required minimum distributions and give those dollars to an organization that you care about. QCDs also lower your adjusted gross income for the year, saving you money on taxes.

Other Items to Know

The SECURE Act, passed in 2019, increased the age at which Traditional IRA owners must begin taking required minimum distributions from the age of 70-½ to 72. The age for qualified charitable distributions remained at 70-½ creating a unique year and a half window in which Traditional IRA distributions may qualify as charitable distributions.

Disclosure

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