

# QUALIFIED CHARITABLE DISTRIBUTIONS

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## DEFINED

A qualified charitable distribution (QCD) allows IRA owners who are at 70 ½ years to donate up to \$105,000 to a qualified charitable organization without recognizing taxable income.

For IRA owners who are taking required minimum distributions (RMDs), QCDs count towards the IRA owner's total RMD for the year.

## HOW QCDs WORK?

QCD's must be paid directly to a qualified charitable organization from the IRA. It cannot be distributed to the individual first, and then donated by the individual.

Donor advised funds and private foundations do not qualify for a QCD, only 501(c)(3) organizations qualify for QCDs.

## BENEFITS

When a QCD is given from an individual's IRA, the amount given goes towards the individual's RMD for the year. But, unlike a typical RMD, QCDs are not reported as taxable income because the money goes directly to a qualified charitable organization. So even if you are taking the standard deduction (i.e. not itemizing your deductions and therefore not deducting charitable donations), you are still eligible for a tax benefit by donating.

Also, since QCDs are not reported as taxable income, QCDs might help you:

1. avoid being pushed into higher tax brackets and prevent the phaseout of certain tax deductions;
2. lower taxes on your social security benefits if you have limited income besides social security benefits and RMDs;
3. stay below income thresholds that can trigger higher Medicare premium payments if you are a high income earner.

QCDs also do not count against the maximum deductible amount of itemized deductions on one's tax return (generally 60% of the taxpayer's adjusted gross income for cash donations). So even for those who are itemizing deductions and receiving a charitable deduction, this is a way to give up to \$105,000 above and beyond the charitable tax deduction limits.

## AT A GLANCE

### FOR WHO?

- Investors over age 70.5
- Charitable
- Assets in an IRA

### BENEFITS

- Potential Income Tax Reduction
- Potential lower Medicare premiums
- Tax efficient giving