

## **Giving Smarter in Retirement: Understanding Qualified Charitable Distributions (QCDs)**

For many retirees, generosity is a lifelong value — and charitable giving can also be a smart part of a retirement income plan. If you're 70½ or older and have an IRA, a Qualified Charitable Distribution (QCD) can help you support the causes you care about while reducing your taxable income.

### **What Is a QCD?**

A Qualified Charitable Distribution allows you to give money directly from your IRA to a qualified charity. The amount you give—up to \$100,000 per person, per year—can count toward your Required Minimum Distribution (RMD) once you reach age 73.

### **Why It Matters**

Normally, IRA withdrawals are taxable. But when you make a QCD:

- • The donation is excluded from your taxable income.
- • It can satisfy all or part of your RMD.
- • It may lower your overall tax bill, helping reduce taxes on Social Security or Medicare premiums.
- • You still get to make a meaningful difference to the organizations you support.

This is a strategy that combines heart and financial sense.

### **Who Can Benefit**

- • Retirees who don't need all of their RMDs for living expenses.
- • Charitably minded individuals who don't itemize deductions on their tax return.
- • Anyone looking for a tax-efficient way to give from their IRA.

### **How It Works**

1. You must be 70½ or older at the time of the gift.
2. The funds must go directly from your IRA custodian to the qualified charity.
3. QCDs cannot go to donor-advised funds, private foundations, or supporting organizations.
4. You'll receive a confirmation letter from the charity for your records.

### **Example**

Let's say Joan, age 74, needs to withdraw \$25,000 from her IRA this year. Instead of taking the full amount herself, she sends \$10,000 directly to her favorite local charity as a QCD. That \$10,000 satisfies part of her RMD, it's not counted as taxable income, and she still helps a cause close to her heart.

### **A Final Thought**

Qualified Charitable Distributions can be a powerful way to align your financial plan with your charitable values. If you're considering this approach, talk with your financial advisor or tax professional to make sure it fits your situation.