



FINANCIAL PLANS & STRATEGIES, INC.

We are here to guide you

Guide to Qualified Charitable Distributions

If you are already planning on donating to charity, and you are over age 70 ½, we highly recommend you consider a Qualified Charitable Distribution. QCDs are “a tax-efficient way to make charitable donations.”²

The IRS defines a qualified charitable distribution as “an otherwise taxable distribution from an IRA (other than an ongoing SEP or SIMPLE IRA) owned by an individual who is age 70½ or over that is paid directly from the IRA to a qualified charity.”¹

This direct distribution from an IRA to a charity can count toward a Required Minimum Distribution, if applicable. When a QCD is taken to fulfill the RMD, that distribution is excluded from income, which lowers the adjusted gross income.

A QCD must be completed via the prescribed form and process, which our office will assist with if you decide to go this route. If you take a distribution payable to yourself, and then make a charitable donation from your checking account, that income does not count as a QCD and is taxable.

While QCDs and RMDs are related, a QCD can only be made after age 70 ½, and (as of 2020) the starting age for RMD is *the year* a person turns 72. For example, if you turn 70 ½ on June 1st, 2020, you could make a **QCD** at any point *after* that date. This same person would turn 72 on December 1st, 2021, and they could take distributions (or QCDs) to count towards their RMD at any point in the year 2021.

Not all charities are eligible to receive QCDs – for example, donor-advised funds and private foundations are ineligible.³

Finally, remember to keep the charity’s acknowledgement of the donation for your tax records.

1. <https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-iras-distributions-withdrawals>
2. <https://www.investmentnews.com/article/20190108/FREE/190109955/early-planning-of-qualified-charitable-distributions-produces-better>
3. <https://www.fidelity.com/learning-center/personal-finance/retirement/gcqs-the-basics>