



## 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.”<sup>2</sup>

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.”<sup>1</sup>

This direct distribution from an IRA to a charity counts toward a Required Minimum Distribution. 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, the 70 ½ age requirement is stricter for the QCD: an RMD can be taken at any time during the year the person turns 70 ½, but a QCD can only be taken after the person turns 70 ½. For example, if you turn 70 ½ on July 1, 2019, you could take a distribution to fulfill your RMD at any time in 2019, but you cannot make a QCD until July 1<sup>st</sup>.

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

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/qcds-the-basics>