

USING YOUR IRA FOR CHARITABLE GIVING



Using an IRA for Charitable Giving today is a great way to reduce taxes today while supporting charitable organizations, such as Meds & Food for Kids (MFK).

Many taxpayers no longer itemize deductions on Schedule A with the higher standard deduction and limitations on deducting State and Local Taxes (often referred to as “SALT”). As such, they do not get a tax break for gifts to charitable organizations.

How can you give to a charitable organization and still get a tax benefit?

You can make a gift directly from your IRA, called a “Qualified Charitable Distribution”(QCD), which you can do starting from when you turn age 70½, if you are no longer working and contributing to an IRA.

WHAT IS A QUALIFIED CHARITABLE DISTRIBUTION (QCD)?

A Qualified Charitable Distribution (QCD) is an otherwise taxable distribution from your IRA that is paid directly from your IRA to a qualified charity, such as Meds & Food for Kids. Generally, you can give up to \$100,000 per year. Many custodians will give you a checkbook to facilitate your gifts. Such gifts can only be made from your IRA, not from any other retirement accounts.

CAN A QCD SATISFY MY REQUIRED MINIMUM DISTRIBUTION (RMD)?

Your QCD can satisfy all or part of your Required Minimum Distribution (RMD) from your IRA. For example, assume your RMD is \$50,000 this year. You can give away \$10,000 reducing the amount you must take, and pay tax on, to \$40,000.

WHAT ARE THE TAX BENEFITS?

When you make a QCD to Meds & Food for Kids, you will still report the distribution on your tax return, however, the “taxable amount” will be less the amount of your gift. Note, you do not get a charitable deduction as the QCD has already been taken out of your income. A QCD also reduces your Adjusted Gross Income (AGI) upon which many other tax items and Medicare payments are based (in the example above only \$40,000 would be added to your AGI instead of \$50,000).

HOW DO I REPORT A QCD ON MY INCOME TAX RETURN?

To report a QCD, you report the full amount of the gift along with your other RMDs on the first line for IRA distributions. On the line for the taxable amount, you enter only the amount you received not the amount of the QCD. Enter the term “QCD” next to this line.

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