



## Using your IRA to Make a Charitable Contribution

(Submitted by Esther Gormley--information from GSCF)

Just a reminder that **Give Where You Live Day** is **Dec. 2, 2022**; if you are thinking about how to make a donation to a DCCF fund, especially if you are a senior citizen, this information and the stories that follow might be helpful.

**What is an RMD?** An RMD, Required Minimum Distribution, is the amount that you are required to withdraw from your retirement account once you turn 72 years old.

**What is a QCD?** A QCD, Qualified Charitable Distribution, is a transfer from your IRA directly to charity (up to \$100,000) that satisfies your RMD requirements.

**Where can I direct my QCD?** You can direct your QCD to any 501(c)3 charity: you CAN direct your QCD to (1) any fund listed on the DCCF website or (2) any charitable 501(c)3 non-profit. *(You CANNOT direct your QCD to a Donor Advised Fund).*

**What is the benefit of doing a QCD?** Can't I just take the money, pay taxes on it, then get the deduction when I donate to charity?

That strategy worked in previous years, but recent tax laws changed who can itemize deductions, especially for people who no longer have a mortgage. Many seniors will not reach the minimum for personal or joint filing deductions (in 2022 the standard deduction for a single person is \$12,950 and \$25,900 for couples filing jointly).

**If you won't have enough deductions to reach the new minimum and you don't need all of your RMD as income, you can direct your RMD directly to a charity to avoid paying taxes on it.**

***Be sure to talk to your financial advisor about this strategy so that you don't take a distribution and pay taxes on it only to realize that you can no longer itemize your deductions. To give to a DCCF fund on Match Day, Dec. 2, 2022,***

- ***An RMD must be arranged through your professional advisor prior to Match Day.***
- ***Donors can use an IRA or other retirement assets such as a 401(k), Keogh, or 403(b) to make Give Where You Live Day donations. Your personal tax advisor can help you make this transaction prior to Dec. 2, 2022.***

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### Giving Stories for Seniors to Consider

(1) Now in their 80's, Bob and Julia have accumulated more than \$1million in their IRAs. At this age, they must receive distributions, and because they don't need the money, they have opted to transfer \$10,000 from each of their IRAs to various funds within their local community foundation.

The following year they decided to be even more impactful by establishing a large designated fund directed to benefit their hometown in two areas, beautification and education support.

Bob said, "We are not missing out on the joy of giving as we can watch our fund benefit the community during our lifetimes."

(2) Jack and Victoria usually give \$19,000 per year to church and charity. Prior to tax reform, they itemized their deductions and got a direct tax benefit from their charitable giving. Due to the higher standard deduction of \$25,900, Jack and Victoria, who are both over age 65, can no longer benefit from itemizing when filing their federal tax return.

Since Jack recently turned 72, he is required to make withdrawals from his IRA to meet the RMD rule. To benefit from the QCD opportunity, Jack and Victoria decided to take their charitable gifts from Jack's IRA account rather than donating by cash or check as they have done previously. The \$19,000 in donations to their church and charity through Jack's IRA won't count on their tax return as a tax deduction, but that doesn't matter since they no longer itemize.

They are saving on taxes while still enjoying contributing to their church and other charities.