

Could a Charitable Distribution (QCD) be advantageous to you? Are you over 70? Do you want to make a gift to AARDA? If you have an IRA, it can be advantageous to do so through a Charitable Distribution (QCD).

What is a QCD? Also known as "IRA Charitable Rollover Gifts," Qualified Charitable Distributions (QCDs) are the most tax efficient ways for many to make charitable gifts. However, there are restrictions:

◆ QCDs are for those 70½, or older, with a traditional Individual Retirement Account (IRA). The 70½ threshold is due to the IRS requirement that IRA owners must start withdrawing money from their accounts in the year in which they turn 70½. These withdrawals are known as Required Minimum Distributions (RMDs).

◆ There is a large penalty--equivalent to half the RMD--for failure to withdraw enough money within the year. If the IRA owners want to donate some or all of the distribution to one or more charities, they can deduct that amount from their taxes that year.

How does a donor make a QCD? The easiest way to make a QCD is for a donor to submit a request to the donor's IRA custodian, such as, Vanguard, Fidelity, or Charles Schwab. The donor's custodian then sends a check (or checks) directly to the nonprofit(s) of choice; or if the donor prefers, the check(s) can be sent directly to the donor who can send the contribution(s) to the charity (or charities). Some donors prefer this route to enhance donor relations.

A second, less common, method is to use an IRA checkbook.

What is the minimum amount that can be donated? QCDs have no minimum amount that can be donated, but the most that can be given annually is \$100,000. These gifts can be made year after year.

How does the IRS see other plans? Roth IRAs are eligible; but since they already are tax-free, there is not the same tax advantage.

It is worth noting that 401(k)s and 403(b)s are not eligible for QCDs.

Who wins? There is a clearly defined and very large group of people--those 70½, or over, with traditional IRAs--who will benefit from making Qualified Charitable Distributions. Their favorite charities will benefit as well--definitely a win-win situation.