



### QUALIFIED CHARITABLE DONATIONS (QCD)

It's important to consider taxes as they affect all aspects of your financial life. As you reach the age when you are required to take distributions from your retirement accounts, we'd like to remind you it is possible to combine that requirement with your charitable giving strategy to potentially save money on your taxes.

If you are over 70 ½ you can donate DIRECTLY from your IRA to a qualified charity and reap significant tax benefits. It is very important that the donation goes directly from your IRA custodian to your chosen charity. Amounts given in this way do not have to be reported as income. They also can't be used as a charitable donation deduction. It is often beneficial to keep your adjusted gross income as low as possible. For example, your taxable social security depends on your adjusted gross income.

Fred is 75 and single. He does not itemize deductions. His pension income is \$10,000, Social Security income of \$24,000 and interest and dividends of \$2,000. His required minimum distribution (RMD) for 2018 is \$4,000. Fred does not need the RMD for cash flow purposes and would like to donate it to his church and Neighbors Inc. If Fred takes out the RMD and writes checks totaling \$4,000 to his church and Neighbors, his taxable income will be \$4,400 (including \$2,000 of taxable Social Security). On the other hand, if he directs his IRA custodian to send checks directly to his church and Neighbors for his \$4,000 RMD, his taxable income will be \$0 (and none of his Social Security will be taxable).

Important things to remember with this strategy:

- The monies must not come to you first! Some brokerage firms offer a checkbook that can be used to write checks directly from your IRA, others require you to make a formal request to them to issue the checks to the charity.
- You are not required to donate all of your RMD — you can choose how much to donate up to the maximum amount of \$100,000 per year.
- You must be over 70 ½ to use this tool.

This Fact Sheet has been sent to keep you informed of tax changes which may affect you now or in the near future.

#### Contact Us:

100 BridgePoint Dr  
Suite 120  
South St Paul, MN 55075

Office: 651-455-4621  
FAX: 651-552-9641

