

Consider a Charitable IRA Gift

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Description:

This article discusses why a charitable IRA gift could be a good move for both you and a nonprofit.

Body:

Wondering what to do with your annual IRA Required Minimum Distribution? If you can live without the income (and taxes) that a large Required Minimum Distribution (RMD) generates, think about taking a Qualified Charitable Distribution (QCD) from your traditional Individual Retirement Account (IRA) to satisfy your Required Minimum Distribution requirement.

If you are a traditional IRA owner aged 70½ or older, you can gift up to \$100,000 a year to a qualified charity this way. The donation must be a direct transfer of assets-it cannot pass through your hands.^[1]

What are the tax advantages of a QCD? You can exclude the amount of the gift from your adjusted gross income for the year in which you make the donation. Depending on your situation, this may also help you avoid taxation of your Social Security benefits or the Medicare surtax. Since a QCD is not a deduction, even taxpayers who don't itemize can benefit from one.^{1, [2]}

Does the income from your annual IRA Required Minimum Distribution risk putting you into a higher tax bracket? Imagine being able to lower your adjusted gross income by up to \$100,000 a year while also helping a charity. By the way, that \$100,000 annual QCD limit is an individual limit. A married couple can donate up to \$200,000 in a year via QCDs while meeting some or all of their Required Minimum Distribution requirements.^[3]

You may want to plan a QCD well before the December 31 deadline. Call or email me to explore this possibility now-it may provide you with a substantial federal tax break.

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This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.

Sources/Disclaimers:

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^[1] CNBC.com, "Now you can donate to charity through your IRA" (November 28, 2016)

^[2] Forbes.com, "The ABCs Of Using Your Retirement Account For Charitable Giving" (May 17, 2017)

^[3] Forbes.com, "Why Retirees Need To Stop Writing Checks To Charities" (January 20, 2016)

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[3] Forbes.com, "Why Retirees Need To Stop Writing Checks To Charities" (January 20, 2016)