

MAKING A CHARITABLE GIFT? CONSIDER A QCD



JACK J. CINTORINO
Vice President,
Senior Financial Planner

Prior to joining Janney, Jack was employed at AXA since October 2012 as Director/Lead Manager-Senior Case Design Consultant, Estate and Charitable Planning. While at AXA, he moved on to a Regional Vice President role serving the Mid-Atlantic territory. He holds a BA degree from State University of New York at Stony Brook and a Juris Doctor (JD) degree from Touro College School of Law.

Making a charitable donation is a commendable act and a great way to carry out your legacy, supporting a cause that is near and dear to you. If you are planning to make a charitable gift, it's important to ensure you distribute the funds in a manner that is tax-efficient and aligns with your needs and goals. Explore whether Qualified Charitable Distributions (QCDs) could be a fit for your charitable donation.

QCDs AND RMDs

Understanding the Terms and their Implications

If you are age 72 or older, the IRS requires you to take Required Minimum Distributions (RMDs) each year from most of your retirement accounts. By making what is termed a Qualified Charitable Distribution (QCD), your favorite charity can benefit, while excluding up to \$100,000 annually from your gross income. Amounts distributed as a QCD may count toward satisfying your RMD for the year, up to \$100,000. The QCD is not included in your taxable income, and if you are at least 70½ years old, you can make tax-free charitable donations directly from your Individual Retirement Account (IRA). These gifts would otherwise be taxable IRA distributions.

REQUIRED MINIMUM DISTRIBUTIONS

Key Facts

- RMDs are distributions that are required by the federal government to be taken when you reach age 72.
 - The first RMD allows you the option to postpone the distribution until April 1st of the following year in which you turn 72. In subsequent years, the annual deadline is December 31st.
 - There is an option to delay your first RMD, and, instead, take two RMDs during the following year. A second type of delayed RMD may be possible if you have continued employment past age 72 and continued participation in an employer's retirement plan.

- To determine your First Year Calculation, divide your traditional IRA or retirement plan account balance by a life expectancy factor specified in [IRS tables \(IRS Publication 590\)](#).
- RMDs must be taken until death or until all IRA balances equal zero.
- Penalties may be assessed if your annual distribution is less than the amount you are required to take from your IRAs and retirement plans. You can always take more than the RMD. However, if you fail to take at least the RMD each year, or do not satisfy the RMD prior to the deadline, you will be subject to a federal penalty. The Federal Penalty is a 50 percent Excise Tax on the amount by which the RMD exceeds the distributions actually made to you during the tax able year.
- RMDs spread out the distribution of your entire assets in an IRA or retirement plan over your lifetime. Therefore, RMDs generally have the effect of producing taxable income during your lifetime.

Which account types are subject to RMD rules?

- Traditional IRAs
- Simplified Employee Pension (SEP) IRAs
- SIMPLE IRAs
- Employer-sponsored retirement plans

If you have more than one IRA, calculate the RMD separately for each IRA. However, you can withdraw the required amount from one or more IRAs.

Please Note: Roth IRAs are not subject to RMD rules during your lifetime.

QUALIFIED CHARITABLE DISTRIBUTIONS

How does a QCD work?

Tax law—[IRC 408\(D\)\(8\)](#)—permits certain taxpayers to make tax-free donations directly from their IRAs to a qualified charitable organization, through a Qualified Charitable Distribution (QCD). A QCD requires the donation funds be directly transferred from the IRA Trustee to a charitable organization other than a private foundation or Donor Advised Fund (and must meet definition of IRS Code 170 (b) (1) (a)). A QCD must be made payable to the charitable organization and mailed to the IRA owner's address or directly to the charity.

USING A QCD TO SATISFY YOUR RMD

A Qualified Charitable Distribution can satisfy all or part of the RMD from the IRA account. QCDs don't require that you itemize, which, due to the recent tax law changes, means you may consider taking advantage of the higher standard deduction, but still use a QCD for charitable giving. You must be exactly age 70½ or older at the time of the distribution if you'd like to apply your QCD toward the RMD.

Tax-Efficient Implications

In addition to the benefits of giving to a cause that is important to you, a QCD excludes the amount donated from your taxable income amount, which is unlike regular withdrawals you take from an IRA. This may also provide an additional advantage of keeping your taxable income lower, therefore potentially reducing the impact to certain tax credits and deductions, including Social Security and Medicare. We can work with you and your professional tax advisor to determine if a QCD may be a good fit for your circumstances.



WORKING WITH JANNEY

Depending on your financial needs and personal preferences, you may opt to engage in a brokerage relationship, an advisory relationship or a combination of both. Each time you open an account, we will make recommendations on which type of relationship is in your best interest based on the information you provide when you complete or update your client profile.

When you engage in an advisory relationship, you will pay an asset-based fee, which encompasses, among other things, a defined investment strategy, ongoing monitoring, and performance reporting. Your Financial Advisor will serve in a fiduciary capacity for your advisory accounts.

For more information about Janney, please see Janney's Relationship Summary (Form CRS) on www.janney.com/crs, which details all material facts about the scope and terms of our relationship with you and any potential conflicts of interest.

By establishing a relationship with us, we can build a tailored financial plan and make recommendations about solutions that are aligned with your best interest and unique needs, goals, and preferences.

Contact us today to discuss how we can put a plan in place designed to help you reach your financial goals.

Janney Montgomery Scott LLC, its affiliates, and its employees are not in the business of providing tax, regulatory, accounting, or legal advice. These materials and any tax-related statements are not intended or written to be used, and cannot be used or relied upon, by any taxpayer for the purpose of avoiding tax penalties. Any such taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.