



402 Hume Avenue • Alexandria, Virginia 22301 • Telephone 703/683-3622

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## How to get the most out of your charitable giving!

While the emotional reward and satisfaction of charitable giving compel us, year after year, to continue to give to the causes that matter most there is no reason we should not get the most, from a tax perspective, from our generosity. For those who are retired and drawing upon your retirement accounts there are a few options to give you a strategic tax advantage. These are especially attractive if you have just turned 70 ½ and are now forced to take a Required Minimum Distribution.

1. For those who have retired, over the age of 70 1/2 and drawing on your retirement accounts you can take advantage of a little known maneuver: the **QCD or Qualified Charitable Distribution**. A QCD allows you to take a portion or your entire Required Minimum Distribution and give it directly to charity. Doing this allows you to give to your favorite charities as you please and at the same time lower your Adjusted Gross Income. Because the money goes directly to charity it does not count as income as it normally would if you took the RMD and then donated it later. Nor are you liable for the capital gains tax on the proceeds of selling the securities used to fund the distribution. This, in turn, lowers the dollar amount of you tax basis, referred to as your Adjusted Gross Income on your 1040. The lower your tax basis the lower the amount of overall taxes you have to pay. This is a great tax savings strategy because it doesn't matter if you itemize or not for you to get the benefit of using a QCD since it never adds to your tax basis and lowers your AGI. For those who are sitting on the cusp of qualifying for lower tax bracket a QCD could be your golden ticket to more tax savings by dropping into a lower tax bracket.
2. Another option is to create a **Donor Advised Fund**. This is like an investment account that is set aside exclusively for charitable giving. The fund is sponsored by a non-profit, most major brokerage houses have a non-profit arm that will take up the sponsorship role and administer the account on your behalf. Once the account is created you can specify which charities you would like to donate to and how often. You can fund the account with any asset type that has an appraised value; cash, stocks, bonds, art, jewelry, cars, real estate. Any contributions to the donor advised fund are tax deductible except when funded with a QCD because QCDs are pretax dollars.



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To get started with a QCD or donor advised fund talk to your Retirement Plan or IRA custodian. They can provide you with the necessary form to ensure your QCD is tax-free.

For more information on either topic please use the links below:

<https://www.kiplinger.com/article/retirement/T054-C000-S004-ira-qcd-rules-qualified-charitable-distributions.html> or go to Kiplinger.com and search keyword: QCD

Donor advised fund: <https://www.philanthropy.com/article/Working-With-Donor-Advised/243282>

IRS Guidance on Qualified Charitable

Distributions: [https://www.irs.gov/publications/p590b#en\\_US\\_2017\\_publink100041439](https://www.irs.gov/publications/p590b#en_US_2017_publink100041439)

More on tax planning and strategies: <https://www.kiplinger.com/slideshow/taxes/T054-S011-ways-for-everyone-to-save-on-taxes-under-the-new-t/index.html>