

# Understanding Qualified Charitable Distributions



Investors can utilize many avenues to be philanthropic. From a retirement account, a Qualified Charitable Distribution (QCDs) can offer an opportunity to support your favorite causes and manage your retirement income in a tax-advantageous manner.

## What is a Qualified Charitable Distribution?

A Qualified Charitable Distribution (QCD) is a tax planning strategy to allow individuals aged 70½ or older to donate directly from a retirement account to a qualified charity of their choice. This distribution is not recognized as taxable income. This method can be utilized to assist with management of required minimum distributions (RMDs). (The Secure Act 2.0 changed the age of RMDs to 73.)

## Age and Account Requirements

To be eligible for completing a QCD, an individual must be 70½ years old. From an account distribution perspective, QCD's may be made from an IRA, including SEP IRAs or Simple IRAs, as long as contributions have not been made in the year the QCD was made. 401k's and non-IRA accounts do not qualify as options for distributing accounts.

## Financial Advantages

As mentioned, QCD's can provide tax benefits along with an avenue for charitable support. Normally, when distributing from a pre-tax IRA, distributions are taxable to the owner. With a QCD, assets are excluded from taxable income upon distribution, meaning they do not increase your adjusted gross income. This can be an effective strategy for balancing tax implications in a year or years of higher income.



**DISCLOSURE:** This article is for informational purposes only. As a reminder, all individual situations should be discussed with tax, legal, and accounting professionals.

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