



ADVISOR THOUGHTS

OCTOBER 2018

YEAR END PLANNING – GIFTING YOUR REQUIRED MINIMUM DISTRIBUTION TO CHARITY

As the end of 2018 approaches, many clients who are 70 ½ or older and have Individual Retirement Accounts (IRAs) are aware that they must take their annual required minimum distribution (also referred to as RMD). An option that's worthy of consideration is utilizing your annual RMD to give directly to your favorite public charity as a Qualified Charitable Distribution.

If you are already charitably inclined, and are planning on gifting to your favorite charity or charities, you might want to consider using all or a portion of your required minimum distribution to give to a qualified public charity. An individual may give up to \$100,000 per year! Please note, however, that distributions to a private or family foundation or to donor advised funds are not allowed.

The donated amount counts towards your annual required minimum distribution, but is not considered taxable income. A great benefit! In other words, a tax-free distribution from your IRA lets you benefit from making a gift to charity without having to itemize deductions on your tax return. This strategy allows you to still benefit from the new, higher standard deduction, as well.

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The only downside to this strategy is that you cannot take a charitable deduction as an itemized deduction. However, taking a Qualified Charitable Distribution from your IRA reduces your Adjusted Gross Income and may also lower other taxes on Social Security Income and Medicare Part B premiums, for example.

If you decide to make a Qualified Charitable Distribution from your IRA be sure to notify your tax professional.

To start the process, simply notify the custodian/trustee of your IRA that you wish to donate all or a portion of your annual RMD to a charity or multiple charities. The custodian/trustee will then send you paperwork to sign, and the institution will make the check payable directly to the charity and forward the check directly to the charity on your behalf. Remember, too, that you need to obtain a written receipt for this Qualified Charitable Distribution. This receipt must include the name of the organization, the date of the gift and the amount received.



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