



## What is a Qualified Charitable Distribution (QCD)?

The Wealth Management field is not so dissimilar than many other fields, in that there are many different acronyms thrown around. Recently, I've noticed one come up that the public is not as familiar with, (QCD) or Qualified Charitable Distribution. Therefore, I thought it appropriate and timely to write an article on this topic.

Many clients that we work with are very charitably inclined and often would like to leave assets to a charity that they identify with or are passionate about. This makes me think of a quote that has stayed with me: "What we have done for ourselves alone dies with us; what we have done for others and the world remains and is immortal." Albert Pike.

As an Accredited Investment Fiduciary® designee and a CERTIFIED FINANCIAL PLANNER™ professional, it is my responsibility to understand the tools and resources that can best help our clients and provide a fair and balanced approach. We often work collaboratively with a client's Estate Planning attorney or CPA to ensure that their Financial and Estate Plan is structured, coordinated, and precisely designed.

\*Regarding a Qualified Charitable Distribution, the Pension Protection Act of 2006 allowed taxpayers who were 70 ½ and older to make tax-free charitable donations directly from their IRA to a charitable organization and exclude up to \$100,000 annually from their gross income. Each spouse may do this assuming an income tax filing status of married filing jointly. The charitable organization must be a 501 (c) (3) that is eligible to receive tax-deductible contributions and the RMD must be taken by December 31st. \*\*Keeping your taxable income lower may

reduce the impact to certain tax credits and deductions, including Social Security and Medicare.

\*\*Some charities do not qualify for QCDs:

- Private Foundations
- Supporting organizations: i.e., charities carrying out exempt purposes by supporting other exempt organizations, usually other than public charities.
- Donor-advised funds, which public charities manage on behalf of organizations, families, or individuals.

So why not just take a distribution from your IRA and then make a charitable contribution? Couldn't you then take an income tax deduction assuming you itemize deductions? You most certainly could; however, you would need to include that distribution in gross income and \*due to IRS limits, the additional tax from the distribution may be more than the charitable deduction. Also, itemizing deductions under the Tax Cuts and Jobs Act passed in 2017, make it less beneficial going forward which may make a Qualified Charitable Distribution (QCD) even more beneficial.

I believe hiring a Wealth Manager that can work collaboratively with your CPA or Estate Planning attorney and commands knowledge and expertise is key to successful financial outcomes. Holistic financial planning is very much a part of our value proposition. We align our client's goals and values with their Retirement Income Plan. Wealth Management goes far beyond Investment Management, and it is important to align with an Advisor that you trust and is competent.

John O'Connor, CFP®, AAMS®, AIF®  
Wealth Manager  
CYRS Wealth Advisors  
1111 S. Alpine Rd. Suite 701  
Rockford, IL 61108  
(815) 316-1111  
Email: [john@cyrswealthadvisors.com](mailto:john@cyrswealthadvisors.com)

John O'Connor is a CERTIFIED FINANCIAL PLANNER™ professional and Accredited Investment Fiduciary® designee with CYRS Wealth Advisors, LLC. CYRS Wealth Advisors is a boutique Wealth Management and Retirement Planning firm located in Northern Illinois. Investment Minimums for individual clients are \$150,000 in investable assets, and \$3,000,000 for retirement plan and corporate clients. They also have the ability to and may work with clients by means of a retainer or hourly fee.



Much of the following information in the article was sourced from:

\*Broadridge and Foremost Advice-Charitable Contributions from IRAs

\*\*Fidelity and the following QCD article: <https://www.fidelity.com/building-savings/learn-about-iras/required-minimum-distributions/qcds>

Securities and advisory services offered through Commonwealth Financial Network®, Member FINRA/SIPC, a Registered Investment Adviser. Fixed Insurance products and services offered through CYRS Wealth Advisors, LLC or CES Insurance Agency.