

Qualified Charitable Distributions (QCDs) for Donors

By Phil Tobin, CEO iGiftFund

While most taxpayers will benefit from reduced tax rates and expanded tax brackets under the new tax laws, many will elect **not to itemize** this year. Rather, they will opt to claim the higher standard deduction (\$12,000 for single filers and \$24,000 for married filing jointly)... and that may include you.

With that in mind, here are creative charitable-giving solutions that allow you to take advantage of the higher standard deduction, while also avoiding taxes on qualified amounts you are required to take as an RMD from your Individual Retirement Account.

BACKGROUND

Now permanent under tax law, individual taxpayers (and qualified spouses) age 70½ or older, can direct distributions, called Qualified Charitable Distributions (QCDs), from traditional IRAs to *eligible* charitable organizations. If you are subject to the Required Minimum Distribution (RMD) rules, amounts distributed as QCDs count toward your RMD. Thus, taxpayers can avoid the tax bite on QCDs with no effect on taxable income. The net result is you can take advantage of the higher standard deduction and avoid taxes on QCD amounts. It's a win-win-win strategy that works.

NOTE: The SECURE Act (eff. 1-1-20) increased to age 72 when RMDs begin. So, taxpayers who were not age 70½ by December 31, 2019 begin RMDs at age 72.

Tip

By law, QCDs cannot be made to private foundations or donor advised funds. *iGiftFund now offers charitable fund solutions that do qualify.* And, your financial advisor can manage the investments in these funds.


SOLUTIONS

A. **Designated Fund** - At the time you establish your fund, you specify:

- (a) the charity or charities you intend to support and
- (b) the formula that determines the amount for annual grant making.

Your fund can support your favorite charities, i.e. church, hospital, university, etc. It can be used to establish a scholarship program at your high school or college.

B. **Field-of-Interest Fund** - You specify up front your philanthropic area of interest, i.e. arts and culture, health, the environment, education, etc. iGiftFund's Board decides annually which charity or charities best fit your chosen field-of-interest.



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- C. **Unrestricted Fund** - You leave the decision for grantmaking to iGiftFund's Board to address the changing needs of the community, typically in collaboration with your recommended community foundation which understands the needs of the community.

What are the advantages to these solutions?

You can:

- Create a designated, field-of-interest or unrestricted fund in your name or that of a loved one as an enduring legacy
- Receive Qualified Charitable Distributions (QCDs) from IRAs and satisfy required minimum distributions requirements (RMDs) with *no effect* on Adjusted Gross Income (AGI)
- Contribute a wide variety of asset types
- Enjoy the best available tax benefits
- Recommend your trusted financial advisor to manage investments in open architecture on your familiar investment platform
- Add to the fund as desired
- Retain an option in a designated fund to redirect support should the specified charity cease to exist

About iGiftFund

iGiftFund is an IRS-recognized, independent, public charity that sponsors donor advised funds. Its mission is to inspire donors to create, preserve and distribute their philanthropic legacy and to make a truly remarkable impact on the lives of others, including the donor. iGiftFund's commitment to donor individuality and personalization is its hallmark, distinguishing it from the large commercial and charity-based DAF sponsors.

Based in Hudson, Ohio, iGiftFund works nationally with donors and with financial advisors on their familiar investment platform in open architecture. Minimum fund size is \$5,000. Learn more at www.iGiftFund.org or contact Phil Tobin at 1-800-810-0366.

About the Author

An early pioneer of donor advised funds, Philip T. Tobin is CEO of the Hudson, Ohio-based iGiftFund, a national, independent sponsor of donor advised funds he co-founded in 2017. Formerly CFO for the Cleveland Foundation and co-founder of the American Endowment Foundation (which grew by 2016 to become the 21st largest charity in the country), Phil is dedicated to creating unique experiences for donors and financial advisors.