

**BCWM**  
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## The ABC's of a QCD

If you are 70½ or older, are charitably inclined, and hate paying taxes, you should probably read this.

Although many retirees do not realize it, they may be able to reduce their tax bill by making donations directly to a qualified charity from their IRA (including inherited ones) via a Qualified Charitable Distribution (QCD). This is because **money donated to charity as a QCD is excluded from taxable income.**

In the past, many donors were able to simply deduct charitable donations on their tax return to reduce their tax bill. The Tax Cuts and Jobs Act of 2017 [raised the standard deduction](#), which prevents some tax filers from claiming deductions for those charitable donations.

The QCD may be an especially attractive strategy for those donors who do not itemize deductions — perhaps even more attractive than donating [appreciated securities!](#)

You can donate up to \$100,000 per year via QCDs (hint: Any time the IRS puts a limit on something, you know it is a good deal!), and **if you are subject to a Required Minimum Distribution (RMD), the donations count toward fulfilling it!**

Although [the SECURE Act](#) raised the age at which you are first subject to an RMD, from 70½ to 72, it does not impact your ability to process a QCD beginning at age 70½. And while [the CARES Act](#) allows you to waive your 2020 RMD, it does **not** preclude you from making a QCD.

You cannot process a QCD from a 401(k).

A QCD must be made directly from an IRA to a qualified charity, such as your local food pantry. Unfortunately, QCDs cannot be made to Donor Advised Funds (DAFs) or private foundations.

In order for QCDs to be applied against your current year's RMD, they must be completed by December 31. If you write a check from your IRA to a charity, the check must **clear** by December 31!



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QCDs are reported as normal distributions on your IRA custodian's Form 1099-R. To avoid mistakenly paying income tax, you want to **be certain to inform your tax professional** of charitable donations you made as a QCD.

If you or someone you know might benefit from this strategy, please contact us. While we at BCWM are not tax professionals, we are certainly available to work with our clients and their tax professional to consider and implement planning opportunities related to a QCD.

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