

How to Use Your IRA to Make Charitable Donations

With the holiday season fast approaching, now is a good time to consider your charitable giving plan through the end of the year. In this article, we focus on one of several gifting techniques to use as part of your year-end gifting strategy — a qualified charitable distribution (QCD) from an individual retirement account (IRA).

Who is eligible to make a QCD from an IRA?

Perhaps your sources of income other than your traditional IRA are sufficient to maintain your lifestyle needs, and you may not need the income generated from your IRA. After reaching age 70½, you may make a QCD of up to \$100,000 per year from your IRA to a public charity. A QCD could be an effective and tax-efficient way to support nonprofits important to you and your family.

A QCD can consist only of deferred taxable income in an IRA. If your IRA is also funded with nontaxable contributions, you must recalculate the basis for your IRA, and your maximum QCD exclusion may be reduced. We suggest you reach out to your tax or financial advisor when considering a QCD gift.

DID YOU KNOW YOU COULD NAME A PUBLIC CHARITY OR DAF AS THE BENEFICIARY OF YOUR IRA ASSETS?

Not all assets are treated equally when passed to heirs, who pay income taxes on inherited IRAs at their own income tax rate at the time of withdrawal, even if the decedent's estate is not subject to tax. An alternative is to leave nonretirement assets to individual heirs and name a charitable organization as the beneficiary of your IRA. Unlike family or other named beneficiaries, public charities and DAFs do not pay income tax on IRA income — so the charity benefits from the entire donation amount.



Naming a public charity as the beneficiary of your IRA could allow your estate to claim an estate tax deduction and fund a charity you support.

Glenmede has several resources for DAF information, including:

[Top 5 Advantages of Donor-Advised Funds for Charitable Giving](#)

[The Rise of Donor-Advised Funds](#)

[Make a Charitable Impact with Crypto and the Glenmede Donor-Advised Fund](#)

For more information on DAFs, please contact your Glenmede Relationship Manager or visit <https://go.glenmede.com/donor-advised-fund>.



Are there restrictions on how the gift can be used?

A QCD must be paid directly to a public charity. Private foundations, supporting organizations and donor-advised funds (DAFs) do not qualify to receive QCDs. However, certain DAF sponsors like community foundations may receive QCDs for funds and programs other than DAFs.

The gift must be used for purely charitable purposes. You may not receive any benefit for the gift. For example, the gift may not be used to purchase a table at a charity's fundraiser where part of the table price is for dinner. You may not receive any goods or services other than intangible religious benefits in exchange for your gift.

You may make an unlimited number of QCDs from one or more IRAs, but the total aggregate value of the gifts must not exceed \$100,000 from all IRAs in a calendar year. If you have made deductible IRA contributions in years in which you were age 70 ½ or older, your maximum QCD exclusion may be reduced.

What are the tax implications?

Owners of traditional IRAs are subject to required minimum distributions (RMDs) beginning at age 72. Typically, RMDs are distributed to the account owner and subject to tax as ordinary income. QCDs may be used to satisfy some or all of your RMD, and the amount of the QCD is excluded from your taxable income. Since the distribution is excluded from your income, it is not tax deductible. The exclusion ensures that you receive the tax benefit of your charitable contribution even if you do not itemize deductions on your income tax return.

Although you are not entitled to a charitable deduction for the gift from the IRA, generally the income tax exclusion is more valuable than the forgone tax deduction.

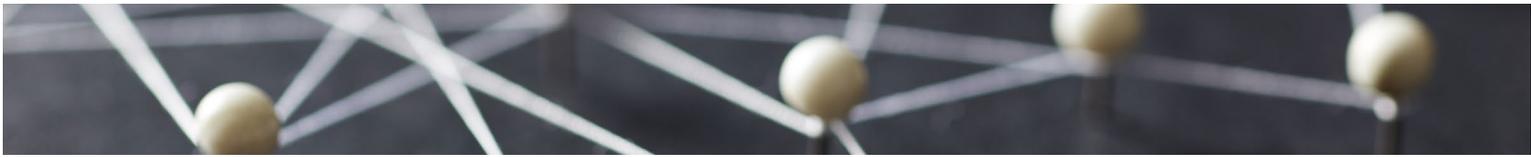


Why make a QCD over an outright charitable contribution of nonretirement assets?

An IRA owner eligible to make QCDs might also consider donations of nonretirement assets. The most common reason to make such donations in lieu of QCDs is that the donor owns low-basis assets (most often marketable securities) that can be donated in kind. If you give a charity the low-basis securities, you generally avoid the capital gains and net investment income taxes on the embedded gain. Further, you receive a charitable deduction for the full fair market value of donated securities held for over one year. The efficacy of contributing low-basis assets instead of making QCDs depends largely on the cost basis of your nonretirement assets and the amount of the gift contemplated. If you have the option to do either, it is best to consult with your tax advisor. Some donors, particularly those who fully use their \$100,000 QCD allowance, may make both types of gifts in the same tax year.

Do I need a receipt for my QCD?

Be sure to secure a receipt for your donation. The IRS will not permit an income tax deduction for any charitable gift in excess of \$250 unless you have a receipt from the organization stating that you received no goods or services for your donation. Although a QCD does not result in a charitable deduction, the same substantiation requirements apply.



Conclusion

Ultimately, the most tax-efficient approach to your gifting depends on your individual circumstances. It is crucial to talk to your advisors who can help determine which assets to donate from which type of account to maximize tax savings, potentially allowing you to make larger donations to the organizations you care about. A holistic assessment of your personal balance sheet allows your advisors to determine how best to complete a donation to advance your charitable goals.

For more information on how QCDs could fit in your charitable giving strategy, please contact your Glenmede Relationship Manager or email PhilanthropicAdvisory@glenmede.com.



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