GEORGIA UNITED METHODIST FOUNDATION

Qualified Charitable Distributions and Gifts via Retirement

It is always possible to donate retirement assets, including IRAs, 401(k)s, and 403(b)s, by cashing them out and contributing the proceeds to charity. However, this approach brings considerable tax implications. Importantly, a direct contribution of retirement assets to charity as part of an estate planning strategy can be very tax efficient. In some situations, it can also mean more funds for charities and intended heirs.

For many people, a retirement account like an IRA or 401(k) may be the most significant source of assets accumulated in their lifetime. However, others may find that they do not need all the funds accumulated in their retirement accounts due to their other resources and investments. For those who wish to give to charity, a natural question is whether they can donate retirement assets — and if there are any tax advantages. Qualified Charitable Distributions (QCDs) offer a tax-advantaged way for individuals over 70 ½ to make contributions to their church or other qualified charity. Using a QCD requires that the individual(s) have a tax-deferred savings plan such as an IRA.

Donating During Your Lifetime: People aged 70 ½ or older can contribute up to $100,000 from their IRA directly to a charity and avoid paying income taxes on the distribution. This is known as a Qualified Charitable Distribution (QCD). It is limited to IRAs, and there are other exclusions and considerations as well.[1]

- Transfers must come from an IRA. And the amount of the donation is limited to $100,000 in a single tax year.
- The donation must result from a direct transfer from the trustee to the qualified charitable organization.
- QCDs may be used to fund an endowment through the Georgia United Methodist Foundation.
- QCDs cannot be used to fund a charitable gift annuity, charitable remainder trust, or donor-advised fund.
- The donor does not get a charitable deduction for the donation because the QCD does not count as income to the taxpayer. However, you should receive an acknowledgement of receipt from the qualified charitable organization(s).

Donating as Part of an Estate Plan: There can be significant tax advantages to donating retirement assets to charity as part of an estate plan. When done correctly, charitable donations of retirement assets can minimize the income taxes imposed on both your heirs and your estate.[1]

[1] The information presented in this material is not intended as legal or tax advice. Please consult your attorney or tax advisor before authorizing a QCD or donating retirement assets to charity to determine the best option for your situation and to ensure compliance with related IRS regulations. In addition, the figures cited in any examples are for illustrative purposes only. For additional information and other resources, please visit gumf.org.