

Give Smart

Using Your Required Minimum Distribution to Avoid Income Tax

If you turned 70½ before January 1, 2020 and are looking for a way to lower your taxable income, utilizing your IRA Required Minimum Distribution (RMD) for charitable giving may be the best option for you. This option allows you to transfer your IRA distribution directly to qualifying charities utilizing the IRA Qualified Charitable Distribution. Your distribution is then excluded from your taxable income and fulfills your RMD.

There are many benefits to using your RMD for charity:

- Avoid taxes on transfers of up to \$100,000 from your IRA to a Scholarship Fund, Designated Fund, or Competitive Grantmaking Fund
- Satisfy your Required Minimum Distribution (RMD) for the year
- Reduce your taxable income, even if you do not itemize deductions
- Make a gift that is not subject to the deduction limits on charitable gifts

After contacting your IRA plan administrator to make a gift from your IRA to a fund at Truman Heartland Community Foundation, your IRA funds will be directly transferred to a fund at Truman Heartland.

Example

Taxable Income	Without QCD		With QCD	
Income before IRA withdrawl		\$110,000		\$110,000
IRA required withdrawl	+	\$10,000	+	-
Adjusted Gross Income		\$120,000		\$110,000
Standard Deduction*	-	\$25,100	-	\$25,100
Taxable Income		\$94,900		\$84,900
Taxable Difference				\$10,000
x Tax Rate				22%
= Tax Savings				\$2,200

*Standard Deduction Married Individuals Filing Jointly Ages 65+

Please note that taxpayers who turned 70½ in 2019 are subject to RMDs but donors who turn 70½ after January 1, 2020 are not subject to RMDs until they turn 72. IRA Qualified Charitable Distribution gifts do not qualify for a charitable deduction. The transfer works for IRAs but not for other retirement accounts. Check with your tax advisor or contact us to learn more about how you can use your RMD for good and lower your taxes. While the Qualified Charitable Distribution cannot fund a Donor Advised Fund; it can fund a Scholarship Fund, Designated Fund, Competitive Grantmaking Fund or the Annual Foundation Fan Club.

Note that this graph is to be used as an example only. Truman Heartland does not offer accounting or legal advice. For more information, contact Cole Eason, Vice President of Advancement at 816.912.4182 or eason@thcf.org.