



The IRA Qualified Charitable Distribution

How The Dayton Foundation Can Help You Make the Most of Your Charitable Giving Through Your Traditional IRA



Are you of the age that you have to take an IRA required minimum distribution (RMD)? Do you give to charity? By working with The Dayton Foundation to take advantage of a traditional IRA qualified charitable distribution (QCD), you may transfer up to \$100,000 to a 501(c)(3) public charity and not have it show in your income for tax purposes, resulting in substantial tax savings for you. A married couple with two separate IRAs may take up to \$200,000 tax free annually. Individuals may elect to begin taking QCDs as early as age 70-1/2.

The Dayton Foundation offers eligible individuals several options for QCDs. Transfers may be made to create a Scholarship Fund, which encourages education by providing scholarships to deserving students based upon your suggested academic interest or other criteria. A Field-of-Interest Fund that supports a particular area of interest – such as children, education,

the arts, health or the environment – and relies on the Foundation's expertise to determine where community need is greatest, is another option. Traditional IRA assets also may be used to create a Community Impact Endowment Fund, which enables the Foundation to help address our region's changing needs by increasing discretionary grants awards and undertaking new initiatives. And finally, one of the most popular ways for individuals to use IRA assets is to establish a Designated Fund through the Foundation that will make grant awards to your specific charity or charities.

Each of these charitable giving vehicles can help you simplify your giving and gain significant tax savings. When directing your IRA assets to the Foundation, you may designate the charity, the dollar amount you would like granted and when you'd like to make the grant.

IRA Qualified Charitable Distribution Illustration

	Without QCD	With QCD
Income before IRA	\$200,000	\$200,000
IRA RMD	+20,000	+0
Adjusted gross income (AGI)	\$220,000	\$200,000
Standard deduction*	(\$30,700)	(\$30,700)
Taxable income	\$189,300	\$169,300
Federal tax savings (\$20,000 x federal tax rate 22%)		\$4,400
State tax savings (\$20,000 x state tax rate 3.99%)		\$798
Total estimated tax savings		\$5,198

*Standard deduction of \$27,700 plus \$1,500 for each individual age 65 or older, calculated using 2023 Ohio and federal tax brackets.

An additional \$5,198 goes to charity by utilizing a qualified charitable distribution and lowering the adjusted gross income.

We'll take care of the distributions, saving you time by not having to coordinate multiple gifts to different charities. You also can take the tax break in the year that you need it and spread your donations over multiple years.

Please note that you are not limited by the amount of your individual RMD distribution. You and your spouse may each take up to \$100,000 even if it is over and above the amount of your RMDs. However, there is one important restriction to keep in mind per IRS regulations. **Donor-Advised Funds are not considered to be QCDs, so transfers may not be made to a supporting organization, private foundation or Donor-Advised Fund, including a Charitable Checking Account.**SM

Case Example

George and Martha are married and file their taxes jointly. George, who is 82, has a RMD of \$10,000 a year. His wife Martha, who is 77, also has an RMD of \$10,000 a year. George and Martha give approximately \$15,000 to

charity every year. Their financial advisor explained that by writing checks out of their bank account like they had in the past, they were using money that had already been taxed. He also reminded George and Martha that they will no longer be able to itemize under the tax laws. Their standard deduction now is \$30,700 as a couple, a threshold they will not be able to meet because they don't have a mortgage and their state and local taxes are minimal

To help George and Martha make the most of their charitable dollars, the advisor suggested they use their other "pot" of retirement money – their IRA assets – that requires both of them to take \$10,000 per year. Instead of taking their RMDs as income each year, they could donate their RMDs to a Designated Fund at The Dayton Foundation. By doing this, they could avoid the \$20,000 in RMDs being counted in their taxable income, saving them over \$5,198 in taxes annually. It also allows for the entire \$20,000 to go to charity 🌿

We're here to help you help others:

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