QCD TRANSFER FOR LIFE INCOME OPTIONS

You may be a donor who would like to use assets from your Individual Retirement Account (IRA) but to continue to receive a fixed income for as long as you live. This objective is possible by using a recent change in the tax law (Secure Act 2.0), which allows anyone over the age of 70½ a one-time option to exchange up to $53,000 (2024 amount) into a Charitable Gift Annuity or a Charitable Trust with the Arts Council. Some limitations apply, so contact us for more details and a personalized illustration at no obligation.

Who should consider a Qualified Charitable Distribution (QCD) to a Charitable Gift Annuity (CGA) transfer?

If you are a retiree who has accumulated significant savings in your tax-deferred IRA and for whom charitable giving is part of your financial plan, you should consider a QCD to CGA. Serious tax consequences exist with the onset of Required Minimum Distributions (RMDs) at age 73. The higher the balance in a donor's tax-deferred traditional IRA, the higher the donor's RMDs—and potentially the higher the donor's tax bracket.

QCDs don't count as income—meaning you can't deduct the contribution on your tax return, but your tax benefits could outweigh those of donating cash or other assets to charity.

Example – John Smith is 75 years old and has an RMD of $105,000 for 2024. Under general tax rules, the $105,000 will be treated as income for federal and state tax purposes in 2024. However, if Mr. Smith instead directs $53,000 payment from his IRA to CGA with the Arts Council as a QCD, then he will not have to include any of the $53,000 in his 2024 adjusted gross income, thus reducing his taxable income.

The payment rate for the gift annuity will depend on your age at the time of establishing the gift annuity agreement. The rate for Mr. Smith at age 75 is 7.0%. Like his IRA withdrawals, all of his annuity payments will be taxable as ordinary income for as long as he lives.

If John wishes to include his spouse aged 75, the payment rate would be reduced to 6.20%.

A married couple can each contribute up to $53,000 from their respective IRAs, for a total of $106,000. This option can only be used once in your lifetime.

Note – You cannot transfer assets from any other retirement plan such as a Roth IRA, 401(k), 403(b), 457, or Keogh.

Contacts for additional information:

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