

# Make a charitable impact with your IRA

**Qualified Charitable Distributions** (QCDs) are available after age 70½

Do you want to benefit one or more charities during your lifetime and are age 70½ or older? If so, you can transfer up to \$100,000 of IRA withdrawals each year directly to a qualified charity without recognizing these withdrawals as income. This type of IRA withdrawal is known as a “Qualified Charitable Distribution (QCD)” and it will count toward satisfying any Required Minimum Distribution (RMD) you must take from your traditional IRA(s) each year after reaching age 72.

For example, if your RMD is \$140,000 this year, you can transfer \$100,000 directly to a qualified charity tax free and take the remaining \$40,000 as a taxable RMD. But you are not limited to taking the amount of your RMD as a QCD if your RMD is under \$100,000. For example, if your RMD is \$60,000, you can transfer \$60,000 directly to a qualified charity to fulfill your RMD, or transfer a full \$100,000 and not include the \$100,000 in income.

You may be wondering how a QCD is different from taking your IRA distribution personally (for example, a check payable to you), and then making a charitable donation from your personal funds. There are a number of scenarios where a QCD may be more tax efficient:

- **Standard deduction:** If you don’t itemize your deductions on your tax return (which due to the Tax Cuts and Jobs Act of 2017\* is now more common for many people), you might save on taxes by doing a QCD.
- **Medicare tax:** A QCD may keep your income below the Medicare high-income surcharge threshold of \$250,000 per couple, saving you 3.8% additional tax on net investment income.
- **Social Security:** Since Social Security is taxable when income exceeds certain thresholds (e.g., maximum taxable rate reached at \$44K for married couples), by taking a QCD, you’ll have less of your Social Security income taxed.

- **Avoid limits on deductibility of personal charitable contributions:** Since you can only deduct charitable contributions of cash you make personally up to 60%\*\* of your Adjusted Gross Income (“AGI”) (subject to a five-year carry forward for excess contributions), a QCD enables you to get the full benefit of the contribution regardless of your AGI.

## **Donations that are not eligible for QCDs**

- Donor-advised funds, private foundations and supporting organizations are not qualified charities to receive QCDs.
- A charitable contribution that results in your receiving anything of value does not qualify as a QCD.

## **Other QCD rules**

- You must be at least 70½ at the time you request a QCD.
- You may take a QCD at age 70½ even if your RMD start age is 72.
- The IRA custodian must make the payment directly to the charity.
- While the maximum annual QCD is \$100,000, if you’re married filing a joint return, your spouse can also do a QCD up to \$100,000.
- The QCD must generally come from a traditional IRA you own as the original owner or a beneficiary. SEP IRAs and SIMPLE IRAs only qualify if they are inactive, i.e., the employer sponsoring the plan is no longer funding it.
- The amount of the QCD is limited to the amount of the distribution that would otherwise have been included in income (so, you could only use your Roth IRA to make a QCD if your Roth IRA distribution is not a qualified distribution and is therefore taxable).
- If you ever made nondeductible contributions to any of your traditional IRAs, generally each requested distribution is treated as partially taxable and partially nontaxable. However, a special rule applies to QCDs—the distribution is first considered to be paid from

- otherwise taxable funds. This has the potential to reduce the tax liability on future distributions you take personally.
- IRA custodians are required to report QCDs as normal distributions to you and the IRS (or as a beneficiary distribution if from an inherited IRA).
- You must obtain a receipt from the charity acknowledging your contribution.
- Make sure you inform your tax advisor that you have taken a QCD so you as the taxpayer can properly indicate that on your tax return.
- Deductible IRA contributions made either in the year of, or any year after, turning age 70½ directly reduce the amount otherwise available as a QCD. This reduction if not used to reduce the QCD in a given year, will be carried forward until eliminated.

Talk to your Financial Advisor if you'd like to donate to a charity by taking a qualified charitable distribution from your IRA.

\* The provisions of the Tax Cuts and Jobs Act of 2017 affecting individuals are scheduled to expire at the end of 2025.

\*\* Increased from 60% to 100% for 2020 and 2021 only.

This publication is for your information only and is not intended as an offer, or a solicitation of an offer, to buy or sell any Investment or other specific product. Although all information and opinions expressed in this document were obtained from sources believed to be reliable and in good faith, no representation or warranty, express or implied, is made as to its accuracy or completeness.

UBS Financial Services Inc. and its affiliates do not provide legal or tax advice. Clients should consult with their legal and tax advisors regarding their personal circumstances.

As a firm providing wealth management services to clients, UBS Financial Services Inc. offers investment advisory services in its capacity as an SEC-registered investment adviser and brokerage services in its capacity as an SEC-registered broker-dealer. Investment advisory services and brokerage services are separate and distinct, differ in material ways and are governed by different laws and separate arrangements. It is important that clients understand the ways in which we conduct business, that they carefully read the agreements and disclosures that we provide to them about the products or services we offer. A small number of our financial advisors are not permitted to offer advisory services to you, and can only work with you directly as UBS broker-dealer representatives. Your financial advisor will let you know if this is the case and, if you desire advisory services, will be happy to refer you to another financial advisor who can help you. Our agreements and disclosures will inform you about whether we and our financial advisors are acting in our capacity as an investment adviser or broker-dealer. For more information, please review the PDF document at [ubs.com/relationshipsummary](https://ubs.com/relationshipsummary).

© UBS 2021. All rights reserved. The key symbol and UBS are among the registered and unregistered trademarks of UBS. UBS Financial Services Inc. is a subsidiary of UBS AG. Member FINRA/SIPC. 2020-322865, Exp.: 06/30/2022, IS2103268