

Contemplating Stewardship¹

Are you at least 70 ½ years old?

Here's a way to reduce your taxes when donating to St. Mark's.

- ➔ Qualified Charitable Distributions (QCDs) are a tax-savvy strategy and great way to contribute to St. Mark's success.
- ➔ QCDs count toward your Required Minimum Distribution (RMD) and will reduce your taxable income!!
- ➔ Reducing your taxable income may also reduce your taxable social security benefits and future Medicare premiums.
- ➔ QCDs are especially useful if you use the standard deduction on your tax return².

Once you reach 70 ½ years old, you can donate to a qualified charitable organization like St. Mark's through a QCD from your traditional Investment Retirement Accounts (IRAs) and certain other IRAs³. Funds must be transferred from your IRA directly to these organizations. Unlike other withdrawals from a traditional IRA, QCDs are not taxable income. Further, once you must start taking RMDs⁴, you can satisfy in part or in whole your RMD through QCDs.

RMDs are now generally required starting in the year you turn age 73⁵. Without using QCDs, RMDs are added to your adjusted gross income and thus are fully taxable. By using QCDs, your donations count as part of your RMD. Since QCD donations are excluded from your adjusted gross income, this decreases your tax bill. Reducing your taxable income may also reduce your taxable social security benefits and future Medicare premiums.

Example: If you are 73 and in the federal 24% tax bracket, then for every \$1000 donated via QCDs you will reduce your federal taxes by \$240. More tax savings will come in many state tax returns. For Colorado, this would mean an additional \$44 tax savings given the current 4.4% tax rate. A Coloradan would save over 28 cents of every dollar donated.

If you are older than 70 ½ and less than 73, with QCDs you can donate from your IRAs without incurring extra tax from withdrawals. This may make sense since distributions from your IRAs will ultimately lower future RMD amounts. There are upper limits to annual QCD distributions⁶.

To donate with QCDs to St. Mark's, direct your retirement account administrator (financial firm, bank, etc.) to transfer your donation from your IRA electronically to St. Mark's or by check payable to St. Mark's Episcopal Church. Contact your account administrator to learn how to do this.

QCDs make a lot of sense for those already giving or considering giving to an organization like St. Mark's as part of your overall financial plan. It gives you a way that reflects the values and teaching of Christ in giving back to others.

While we provide this summary information, St. Mark's does not provide financial or tax advice. Consult your tax advisor on the QCD rules that apply to you.

¹ listening to the text of the Bible with the ear of the heart

Addendum: Of course, there are details. Read about them here:

<https://www.schwabcharitable.org/giving-with-ira>

<https://www.fidelity.com/building-savings/learn-about-iras/required-minimum-distributions/qcds>

<https://www.fidelitycharitable.org/guidance/philanthropy/qualified-charitable-distribution.html>

<https://www.investopedia.com/taxes/can-i-use-money-my-ira-donate-charity>

- ² The distribution escapes taxation. See an example in this illustrated case study: <https://www.schwabcharitable.org/giving-with-ira>.
- ³ Or from other retirement accounts including inherited IRAs, inactive Simplified Employee Pension (SEP) plans and inactive Savings Incentive Match Plans for Employees (SIMPLE) IRA. Check with your financial advisor to make sure your plan is eligible to participate. See <https://www.fidelitycharitable.org/guidance/philanthropy/qualified-charitable-distribution.html>.
- ⁴ <https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-required-minimum-distributions#:~:text=List%20of%20FAQs-,When%20must%20I%20receive%20my%20required%20minimum%20distribution%20from%20my,you%20turn%2070%C2%BD%20in%202019>.
- ⁵ *Ibid.*
- ⁶ In 2024, the limit is \$105,000 per individual and will be indexed for inflation in future years. See <https://www.schwab.com/learn/story/reducing-rmds-with-qcds#:~:text=Previously%20QCDs%20were%20limited%20to,limit%20has%20increased%20to%20%24105%2C000>.