



Qualified Charitable Distributions

A Simple and Smart Way to Give Using Your IRA

If you're age 70½ or older, you can make a tax-free Qualified Charitable Distribution (QCD) from your IRA to your own personalized fund at the Community Foundation of Southern Indiana. Doing so is a very simple and smart way to support your favorite charitable interests, no matter what those are.

If you want to simplify your giving, consider making a QCD (often referred to as an IRA Rollover gift) to establish a fund at the Foundation. When you do, if you're 70½ or older, you can make a gift of up to \$100,000 directly from your IRA to the Community Foundation for your fund. The money you direct to the Community Foundation will be excluded from your ordinary income for federal income tax purposes, and the amount will count towards your required minimum distribution (RMD) for the year! *Please note that IRA owners who turn 70½ in 2020, however, don't have to begin taking required minimum distributions until after they reach age 72, and under the CARES Act required minimum distributions are suspended for 2020.*

It's easy to make an QCD to your favorite charity – just consult with your retirement plan administrator and have them transfer a specific dollar amount directly to the charity of your choice. But if you want to do more with your qualified charitable distribution than make a one-time, "lump sum" contribution to a single nonprofit, the Community Foundation can provide additional flexibility or anonymity that you can't find elsewhere.

With Your QCD You Can....

- ... establish a scholarship fund that will support the school of your choice or students who meet criteria you set in perpetuity.
- ... set up a fund to support your church, alma mater or other cause with an annual gift in your name, forever.
- ... simplify your giving with a fund that you use to do all of your annual giving from one place with one gift.
- ... leave a legacy for the causes you care most about so that your generosity continues after your lifetime.

Because we are a 501(c)(3) charity, you can make Qualified Charitable Distributions to the Community Foundation. We will then distribute your donation to nonprofits in accordance with your unique charitable wishes.

If you have additional questions please call Linda Speed, president and CEO of CFSI at 812-948-4662 or email her at lspeed@cfsouthernindiana.com.

Meet the Joneses

Bob and Jane Jones are enjoying retirement at the age of 72. They have a diversified portfolio including traditional IRAs and have an annual joint RMD of \$24,000. The Joneses are in the 24% tax bracket and want to make a \$10,000 donation to their favorite charity. Should they make an outright gift or use a QCD?

If the Joneses decide to direct a \$10,000 QCD to charity, they reduce their taxable income by \$10,000, still get to claim the same \$26,550 standard deduction and they save \$2,400 in federal taxes. Using their QCD for good is a great way to give!

If the Joneses had many charities they wanted to support, they could choose to direct their QCD to their fund at CFSI and pre-designate all of their charitable contributions for the year at one time, simplifying their giving.



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Frequently Asked Questions about QCDs

WHAT IS THE MINIMUM AGE FOR MAKING A QUALIFIED CHARITABLE DISTRIBUTION (QCD)?

You must turn 70½ prior to completing the distribution.

IF I MAKE A QCD, DOES IT AFFECT MY RMD?

If you're 72, or turned 70½ prior to 2020, the amount distributed to CFSI will be deducted from your RMD. *Please note that IRA owners who turn 70½ in 2020, however, don't have to begin taking required minimum distributions until after they reach age 72, and under the CARES Act required minimum distributions are suspended for 2020.*

IS THERE A TAX DEDUCTION FOR MAKING A QCD?

QCD gifts are not deductible – but the money is never included in your income in the first place, which for many people is more favorable than a deduction. However, if you continue to contribute to your IRA after turning 70½, the deductible amount will reduce, dollar-for-dollar, the amount of a QCD that can be excluded from your income. For example, if you give a \$50,000 QCD but have contributed \$20,000 to your IRA, only \$30,000 of the QCD will be excluded from your taxable income. You can, however, itemize the other \$20,000 as a charitable deduction if it is helpful to you.

I HAVE A ROTH IRA. CAN I USE IT FOR A QCD?

Roth IRAs are eligible for rollover treatment; however, you may wish to discuss with your financial advisor whether this is the most tax effective way for you to give because you have already paid income tax on your Roth IRA assets.

I DON'T HAVE AN IRA. CAN I MAKE A QCD FROM ANOTHER RETIREMENT ACCOUNT?

No, transfers must come directly from an IRA or Roth IRA. However, if you have retirement assets in a 401(k), 403(b), etc., you may be able to roll those funds into an IRA, then use the IRA for giving. Please discuss this strategy with your financial advisor.

WHAT IS THE MINIMUM GIFT SIZE?

The minimum gift size depends on the type of fund you're establishing at CFSI. Most of our fund minimums are \$15,000 but scholarship funds are \$25,000.

IS THERE A MAXIMUM GIFT SIZE?

The maximum distribution permitted by the IRS is \$100,000, per account holder (i.e., per spouse), per year. So a married couple can give \$200,000 (\$100,000 from each of their IRAs).

ARE THERE RESTRICTIONS ON QUALIFIED CHARITABLE DISTRIBUTIONS?

A QCD cannot be used to make gifts when the donor receives a benefit in return (i.e., to attend a dinner) or to establish donor advised funds. However, the Foundation can work with you to create a designated fund that would support your various charitable interests in the amounts and at the times you designate.

HOW DO I INITIATE A QCD?

In most cases, you just need to contact your IRA custodian. If you have an IRA with check-writing features, please be aware that your check must be made out to "Community Foundation of Southern Indiana" and must **clear your account by December 31** to count toward your RMD for the current year.

WHEN SHOULD I INITIATE A REQUEST FOR A QCD?

You may request a QCD at any time during the year. If you intend that your distribution count toward your RMD, please begin your transfer by early December to allow ample time for your transfer to be completed. If you manually request your RMD for the year you should identify if you want to take advantage of the QCD option before you request the RMD, because you must instruct your plan administrator regarding the QCD. If you do not indicate the request for a QCD, once you have taken the distribution you cannot unwind it. If you automatically receive your RMD each year you may need to turn off automatic payments and instead manually request the QCD.

CAN MY IRA GIFT SATISFY A PLEDGE?

Yes! Payment schedules of various lengths may be established by the donor.

WHAT TYPE OF ACKNOWLEDGMENT SHOULD I EXPECT?

We will send you a written acknowledgment of your gift to thank you and to confirm the amount of your gift and its intended purpose. Because there is no income tax deduction, you will not receive a conventional receipt.