

FREQUENTLY ASKED QUESTIONS

WHAT IS A REQUIRED MINIMUM DISTRIBUTION? A required minimum distribution, also known as an RMD, is the minimum amount by law that the owner of a traditional IRA (Individual Retirement Account) must withdraw from his or her traditional IRA in a year once the individual is 73 for individuals born after December 31, 1950 (75 for individuals born after December 31, 1958), years of age or older. The required minimum distribution amount is calculated based on specific federal tax rules.

WHAT IS A QUALIFIED CHARITABLE DISTRIBUTION? A Qualified Charitable Distribution (QCD) is a distribution from a traditional IRA owned by an individual who is age 70½ or older that is paid directly from the IRA to a qualified charity and the owner pays no tax on the gift.

CAN A QUALIFIED CHARITABLE DISTRIBUTION SATISFY MY REQUIRED MINIMUM DISTRIBUTION FROM AN IRA? Yes. Your qualified charitable distributions can satisfy all or part of the amount of your required minimum distribution from your IRA.

CAN I TRANSFER FUNDS FROM MY IRA TO ANOTHER FINANCIAL ACCOUNT OF MINE AND THEN WRITE A CHECK TO CHARITY?

No. Doing this would eliminate the tax-free treatment of the contribution and would cause the amount distributed to be included in your taxable income. The Qualified Minimum Distribution must be paid directly from the financial firm managing the IRA to the charity and not to the IRA account holder.

CAN I TAKE A TAX DEDUCTION FOR THE AMOUNT GIVEN THROUGH A QUALIFIED CHARITABLE DISTRIBUTION? No, you cannot take a tax deduction for the amount given via a qualified charitable donation; but remember, that amount is not a taxable distribution to the IRA owner. Note: If you claim the income tax standard deduction, you won't be allowed to itemize things like charitable donations.

WHO CAN MAKE A QUALIFIED CHARITABLE DISTRIBUTION? An individual donor can contribute up to \$100,000 per year in QCDs, as long as that individual is 70 ½ years old or older. For married couples, each spouse can make QCDs up to the \$100,000 limit for a potential total of \$200,000.

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FREQUENTLY ASKED QUESTIONS, CONT.

CAN I GIVE MY 401(k) RMD TO CHARITY? No. You can only make the tax-free transfer from an IRA, not from a 401(k). You can convert your 401(k), 403(b), 457(b), active SEPs or SIMPLE IRAs to an IRA. See your investment advisor.

SO WHICH IS BETTER... THE TAX-FREE TRANSFER OR THE CHARITABLE DEDUCTION? If you make a tax-free transfer from your IRA to charity, you can't also deduct that money as a charitable contribution. But the tax-free transfer could give you extra benefits. You don't need to itemize your deductions to get a tax benefit from the gift (many people who no longer have a mortgage don't itemize their deductions). Making the tax-free transfer also keeps the money out of your adjusted gross income. That could help you avoid the Medicare high-income surcharge, which boosts your Part B and Part D premiums if your AGI is more than \$97,000 if single or \$194,000 if married filing jointly. Keeping the money out of your AGI could also make less of your Social Security benefits taxable.

CAN I MAKE A QCD THAT EXCEEDS MY REQUIRED MINIMUM DISTRIBUTION FOR THE YEAR? Yes. Keeping in mind that you may roll over up to \$100,000 per year to a qualified charity, you may make a QCD in excess of your RMD. However, the excess distribution cannot be carried over to cover required minimum distributions for future years.

CAN I SPREAD MY QCD AMONG SEVERAL CHARITIES? Yes. This can be done as long as your QCD is made to qualified charities.

IF I DIRECTLY TRANSFER MY QCD TO A QUALIFIED CHARITY, CAN MY GIFT BE USED TO PURCHASE COURTSIDE SEATS AT A UNIVERSITY GAME, PARTICIPATE IN A CHARITY AUCTION, OR PAY FEES FOR A CHARITY GOLF TOURNAMENT? No. You cannot receive any benefit for making your QCD to a qualified charity. Note, however, that you may be able to use your QCD to fulfill a pledge; please consult with your tax or legal advisor.

IF I MAKE A QCD, CAN I ALSO MAKE A CHARITABLE GIFT FOR WHICH I RECEIVE AN INCOME TAX DEDUCTION? Yes. You may employ multiple giving approaches each tax year. Please note that the QCD may lower your taxable income, which can impact the amount of deductions available to you in a given tax year.

THE LCR LIVING LEGACY FUND CHARITABLE GIVING THROUGH YOUR IRA - QCD



Lutheran Church
of the
Resurrection
Evangelical Lutheran Church in America

www.LCRMario.org/LivingLegacy

A TAX-SAVING WAY TO HELP SUPPORT LCR

If you are over age 70 ½ and have a traditional IRA, you can use a special IRA distribution method called a Qualified Charitable Distribution (QCD) to make a charitable gift to the Lutheran Church of the Resurrection or another qualified charity. The gift comes directly from your IRA with no tax liability.

BENEFITS OF TAKING A QUALIFIED CHARITABLE DISTRIBUTION (QCD)

At age 73 for individuals born after December 31, 1950 (75 for individuals born after December 31, 1958), the IRS requires you to take IRA withdrawals in statutorily-mandated, annual increments known as "Required Minimum Distributions" (RMDs). What's wrong with that? RMDs are taxed as ordinary income and more taxable income may push you into a higher tax bracket, which can lead to adverse impacts, including effects on your Social Security income and your potential exposure to the Medicare high-income surtax. Under the existing tax rules, approximately two-thirds of tax filers use the standard deduction and are not able to claim a deduction for their charitable contributions. There is now incentives to withdraw funds from an IRA, because excluding an amount from one's income is the equivalent of claiming a tax deduction. Tax filers that do itemize deductions may also see tax savings. See your tax advisor for more information.

REAL LIFE EXAMPLE

Faye, age 73, wants to make a contribution to LCR. She has \$500,000 in her IRA and she wants the contribution to be \$18,867. Her RMD is \$18,867. She can authorize the administrator of her IRA to transfer the full RMD to the church. Since the QCD is excluded from income, Faye will not be eligible for a charitable income tax deduction, but she will still receive tax savings. The \$18.867 distributed to her church will be counted toward her annual minimum required distribution and she will not pay income tax on the amount given. Faye also avoided the Medicare high-income surtax. (Note: If Faye uses the income tax standard deduction rather than itemizing deductions, she could not deduct charitable gifts.)

DO I QUALIFY TO GIVE A QUALIFIED CHARITABLE DISTRIBUTION?

You qualify if you are:

70 ½ YEARS OLD	GIVING TO A PUBLIC CHARITY	AN OWNER OF AN IRA	AT ANY INCOME LEVEL. QCDs HAVE TAX BENEFITS FOR ALL TAXPAYERS.
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HOW TO SET UP A QUALIFIED CHARITABLE DISTRIBUTION

Contact your IRA provider and let them know you want to make a gift.

- For a QCD to count toward your current year's RMD, it must be made before the end of the calendar year.
- The funds must be paid directly to the church or qualified charity, or the distribution check must be made out in the charity's name.
- An individual can donate up to \$100,000 annually from his or her IRA. Married taxpayers can donate up to \$200,000.
- QCDs are only available from traditional IRAs or from inherited IRAs.

Payments can be sent directly to the Lutheran Church of the Resurrection from the IRA provider. Your financial advisor or IRA provider will need the following information:

Lutheran Church of the Resurrection
3500 29th Ave.; Marion, IA 52302
Federal Tax ID #: 42-6063546

All topics in this brochure should be discussed with your financial advisor.

DOES A QCD MAKE SENSE FOR ME?

A QCD can provide several potential benefits. It may be a suitable giving strategy for donors who:

- Are required to take a minimum distribution from an IRA, but don't need the funds and would face increased tax liabilities if they took the distribution as income.
- Would like to reduce the balance in an IRA to lower future required minimum distributions.
- Would like to make a larger charitable gift than they could if they simply donated cash or other assets. If you itemize deductions, the value of charitable gifts that can be deducted from a tax return usually ranges from 20 to 60 percent of the donor's adjusted gross income. This AGI-based limit does not apply to QCDs, allowing donors to make larger gifts.
- Do not wish to make their contribution to a foundation or donor-advised fund.
- Have identified which charities they want to support immediately with a substantial gift.

WHY CONSIDER THIS GIFT?

- Your gift will be put to use today, allowing you to see the difference your donation is making.
- Beginning in the year you turn 73, you can use your gift to satisfy all or part of your required minimum distribution (RMD).
- You pay no income taxes on the gift. The transfer generates neither taxable income nor a tax deduction, so you benefit even if you do not itemize your deductions.
- Since the gift doesn't count as income, it can reduce your annual income level. This may help lower your Medicare premiums and decrease the amount of Social Security that is subject to tax.