



Advisor Insights

News & Resources for Professional Advisors

Hello from Wayne County Community Foundation!

The final weeks of 2022 are upon us. We're hearing from attorneys, accountants, and financial advisors not only that your plates are full as the end of the year approaches, but also that questions from clients are rolling in about charitable giving, especially related to the alphabet soup of various planning techniques.

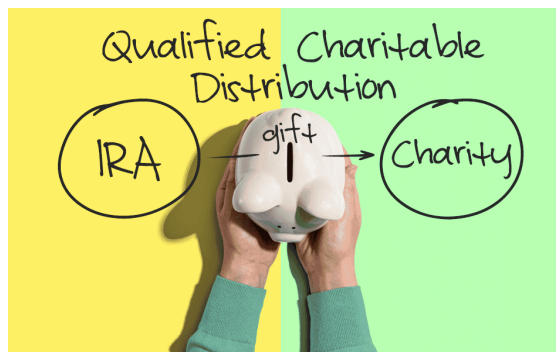
In this newsletter, we're covering a few of the most talked-about ingredients in that alphabet soup, including donor-advised funds (DAFs) and Qualified Charitable Distributions (QCDs). Indeed, the confusion around QCDs and RMDs is an example of how acronyms, although intended to be useful, often **hamper communication** instead.

As always, please reach out to the team at the Community Foundation. We are here to help you help your clients achieve their charitable goals.

Thank you for your partnership. We wish you all the best for the holiday season.

Your Community Foundation

Five of 2022's most-asked questions about Qualified Charitable Distributions



Qualified Charitable Distributions, or "QCDs," are becoming a very popular financial and charitable planning tool. At the same time, QCDs are growing as the source of more and more confusion.

Here are answers to the questions we've been asked most frequently this year by both advisors and donors. Be on the lookout for these and other client questions, and please do not hesitate to reach out to the community foundation for assistance.

"Is an IRA (Individual Retirement Account) the only eligible source for Qualified Charitable Distributions?"

Short answer: Almost.

Long answer: An individual can make a Qualified Charitable Distribution directly to an eligible charity from a traditional IRA or an inherited IRA. If the individual's employer is no longer contributing to a Simplified Employee Pension (SEP) plan or a Savings Incentive Match Plan for Employees (SIMPLE) IRA, the individual may use those accounts as well. In theory, a Roth IRA could be used to make a QCD, but it is rarely advantageous to do that because Roth IRA distributions are already tax-free.

"What is the difference between a QCD and an RMD?"

Short answer: Quite a bit! But a QCD can count toward an RMD.

Long answer: Everyone must start taking Required Minimum Distributions ("RMDs") from their qualified retirement plans, including IRAs, when they reach the age of 72. RMDs are taxable income. The Qualified Charitable Distribution, by contrast, is a distribution directly from certain types of qualified retirement plans (such as IRAs) to certain types of charities. When a taxpayer follows the rules, a QCD can count toward the taxpayer's RMD for that year. And because the QCD goes directly to charity, the taxpayer is not taxed on that distribution.

"Can I make a Qualified Charitable Distribution even if I am not yet required to take Required Minimum Distributions?"

Short answer: Yes—within a very narrow age window.

Long answer: RMDs and QCDs are both distributions that impact retirement-age taxpayers, and it would seem logical that the age thresholds would be the same. Under the SECURE Act, though, the required date for starting RMDs was **shifted** from 70 ½ to 72 (which is better for taxpayers who want to delay taxable income). A corresponding shift was not made to the eligible age for executing QCDs; that age is still 70 ½ (which benefits taxpayers who wish to access IRA funds to make charitable gifts even before they are required to take RMDs).

The IRS's rules for QCDs are captured in [Internal Revenue Code Section 408](#) and summarized on pages 14 and 15 in [Publication 590-B](#) in its [FAQs](#) publication.

"Can I direct a QCD to my fund at the community foundation?"

Short answer: Yes, if it's a qualifying fund.

Long answer: While Donor Advised Funds are not eligible recipients of Qualified Charitable Distributions, other types of funds at the Community Foundation can receive QCDs. These funds include Designated Funds, Community (Unrestricted) Funds, Field-of-Interest funds, and Scholarship Funds.

"How much can I give through a QCD?"

Short answer: \$100,000 per year.

Long answer: A Qualified Charitable Distribution permits you (and your spouse from your spouse's own IRA or IRAs) to transfer up to \$100,000 each year from an IRA (or multiple IRAs) to a qualified charity. So, as a married couple, you and your spouse may be eligible to direct up to a total of \$200,000 per year to charity from your IRAs and avoid significant income tax liability.

So long, 2022: Important charitable tax planning reminders as the year winds down

Now is the time to share important reminders with your clients about year-end gifts. Time is indeed of the essence!

Gifts of appreciated stock still shine

Giving in a roller coaster market may continue to be a **real concern** for many of your philanthropic clients, but remember, not all stocks are down. Gifts of appreciated stock to a donor-advised fund or other type of fund at the



community foundation is still one of the most tax-savvy ways to support favorite charitable causes because capital gains tax can be avoided. And of course, a stock market rally can present timely opportunities.

Donor Advised Funds help both the donor and the donor's favorite nonprofits

Grantmaking from Donor Advised Funds (DAFs) continues to **rise**, especially as donors and their advisors pay increasing attention to the ways a donor-advised fund can help with tax planning and, importantly, keep a donor's giving levels consistent even in lower income years. Reach out to the community foundation to learn more about how "bunching" at year end can maximize clients' tax benefits, and at the same time ensure that nonprofits are supported as demands on their missions continue to grow in choppy economic waters.

Year-end giving deadlines are firm

Watch the calendar closely! Year-end can sneak up on all of us, and it's important not to miss key deadlines for accomplishing your clients' charitable goals for 2022. Please see the deadlines below for when various types of donations should be delivered to us in order to ensure that they are fully transferred by Dec. 31:

Deadlines for delivering 2022 donations to Wayne County Community Foundation:

- Regular stocks by noon on 12/29/22
- Checks must be hand delivered to us by 4:30 PM on 12/30/22 or postmarked by 12/31/22

Please adhere to these deadlines or we cannot guarantee that the transactions will be completed by 12/31/22. Thank you!

The team at Wayne County Community Foundation is a resource and sounding board as you serve your philanthropic clients. We understand the charitable side of the equation and are happy to serve as a secondary source as you manage the primary relationship with your clients. This newsletter is provided for informational purposes only. It is not intended as legal, accounting, or financial planning advice.

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