

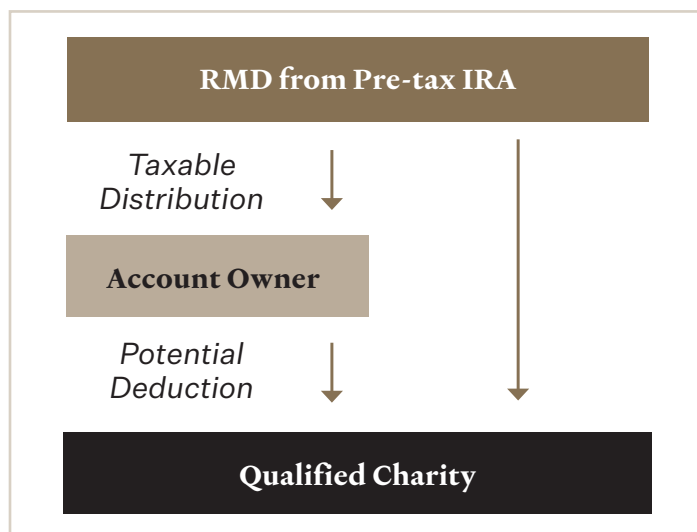


QUALIFIED CHARITABLE DISTRIBUTION FROM AN IRA

For individuals who are charitably inclined, donating funds directly from a pre-tax individual retirement account (IRA) can be a tax-efficient strategy.

Overview

Qualified charitable distributions (QCDs), which have a limit of \$111,000 per person (as of 2026), are allowed for IRA owners who are aged 70½ or older. Eligible individuals may allocate up to \$55,000 (as of 2026) from a QCD to make a one-time contribution to a charitable remainder trust or charitable gift annuity. Married couples can each donate up to their individual annual limits. These distributions are also sometimes referred to as charitable IRA rollovers.



The primary benefit of using QCDs is that the distribution to charity is a tax-free withdrawal from the IRA and will count towards satisfying any required minimum distributions (RMDs) for the account owner. This results in a lower adjusted gross income (AGI), which may reduce Medicare Part B premiums or the portion of Social Security income that is subject to taxation.

In general, QCDs will be the most appropriate for individuals who are subject to RMDs and meet one of the following criteria:

- Claim the standard deduction on their tax returns rather than itemizing; or
- Make charitable contributions of appreciated property exceeding the deduction limits relative to their AGI (e.g., exceed 30% of their AGI to a public charity or 20% to a private foundation).

For those who do not meet one of these criteria, contributing appreciated assets, owned for more than one year, may offer greater tax savings. Keep in mind that you cannot “double-dip” and claim a charitable deduction for the same distribution.

Important Reminders

- QCDs must be distributed directly to a qualified 501(c)(3) charitable organization. Funds cannot first be distributed to the IRA owner and later transferred to the charity. Private foundations, donor advised funds and charitable remainder trusts are not considered qualified charities for the purposes of QCDs.
- QCDs are not allowed from employer retirement plans such as 401(k)s or 403(b)s. However, a QCD may be transferred from an inactive Simple IRA or SEP IRA that is no longer receiving contributions.
- For married couples, each IRA owner may elect to make QCDs.
- Beneficiaries of inherited IRAs may make QCDs if they are over age 70½ at the time of the distribution.
- If you are over 70½ and charitably inclined, do not make tax-deductible IRA contributions without consulting your tax advisor first, as they may reduce your ability to utilize QCDs in the future. If tax-deductible contributions are made to an IRA after



age 70½, the amount of any future QCD must be reduced by the number of deductible contributions made after you turn 70½. This reduction is cumulative, meaning it does not apply only in the year of the contribution. Review with your tax advisor before making contributions after 70½ if you wish to make future QCDs.

How to Make a QCD

- The two most common methods of making QCDs are to (1) instruct the custodian or plan trustee to issue a check to your selected charitable organization(s) or (2) obtain a checkbook on the IRA and write checks directly to your charity of choice. It is also possible to have the custodian issue and mail checks to the IRA owner when there is a desire to include a personal message.
- We recommend having QCDs processed directly by us and your custodian to ensure they are processed before year-end and count toward your RMD.
- If you utilize a checkbook for IRA QCDs, be sure all checks are deposited by the charities before December 31 for them to count toward your RMD for that year. We recommend writing checks and mailing checks before November 15 to ensure the organizations have adequate time to receive and deposit the funds.

- Make sure you are distributing only to qualified 501(c)(3) charities. Failure to meet this requirement may result in the donation being treated as a taxable distribution.
- If you plan to utilize QCDs, determine a charitable budget for the year and share this with your portfolio manager so that any taxable RMD payments can be adjusted.
- Consult your tax advisor annually to let them know how much you plan to give and to ensure that QCDs are still the best strategy for your charitable giving.

Tax Reporting

The annual tax reporting information from your IRA custodian will not differentiate between distributions that went to charitable organizations (non-taxable) and those that went to you (taxable). It is important to track each of your QCDs and provide this information to your tax preparer with your Form 1099-R (which reports your total IRA distributions) so that they can accurately report the charitable portion of distributions. If you have any questions or need assistance with identifying charitable transactions, please don't hesitate to reach out to your portfolio manager or client relationship associate for the detailed history of your transactions.