

Qualified Charitable Distributions (QCD)

A Simple, Smart Way For Your Clients to Give Using Their IRA



Simply Giving with a Tax-Free IRA Gift

If your client is age 70½ or older, they can make a tax-free Qualified Charitable Distribution (QCD) of up to \$100,000 directly from their IRA to the Community Foundation of Southern Indiana. This gift counts toward their Required Minimum Distribution (RMD) and avoids taxable income. CFSI will work with them to create a charitable fund – such as a scholarship, church, or cause-based fund – that aligns with their goals and complies with federal rules prohibiting QCDs from establishing donor advised funds.

With CFSI, clients can do more than make a one-time gift. They can pre-designate multiple charities, set a giving schedule, and manage their annual giving through one simple rollover. These customized funds provide flexibility, potential anonymity, and the opportunity to leave a lasting legacy for the causes they care about most.



Questions? Let's Talk!

For more information about these, or any other charitable contributions offered by CFSI, please contact our President/CEO, **Linda Speed**:

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Learning More About:

Qualified Charitable Distributions

Are There Restrictions on QCDs?

Yes. QCDs *cannot* be used for gifts with personal benefits (like event tickets), donor advised funds, or private foundations. However, CFSI can help create a pre-designated fund to support specific charities in a way that meets QCD rules.

What If My Client Can't Create a Donor Advised Fund with a QCD?

Clients can set up a fund that distributes their QCD to specific charities on a schedule they choose. This approach works well for annual giving or fulfilling multi-year pledges, and CFSI captures their wishes in a formal agreement.

Can a QCD Satisfy a Pledge?

Yes. A QCD can be structured to fulfill a pledge over time through scheduled distributions.

Does a QCD Count Toward RMD?

Yes. If your client is 72 (or turned 70½ before 2020), their QCD reduces their Required Minimum Distribution for the year.

Is a QCD Tax-Deductible?

No. QCDs are not tax-deductible, but the amount is excluded from taxable income, which can be more beneficial than a deduction.

What is the Required Gift Size?

CFSI fund minimums are generally \$15,000 (\$25,000 for scholarships). The IRS allows up to \$100,000 per person per year in QCDs – so married couples can give up to \$200,000 combined.



Scenario: Using a QCD to Benefit Many Charities

Bob wants to use his QCD to make several gifts to charities using one QCD distribution. Bob establishes a “2023 Designated Fund” at CFSI. The fund is not invested or endowed, but is a pass-through, meaning he will distribute its entire balance to his charitable causes. Bob’s fund agreement lists charities he wants to support, the amounts that he wants them to receive, and the timing he wants the grants distributed. For example, Bob wants his church to receive a \$5,000 grant each Jan. 1 for the next 5 years; other charities are listed in a similar fashion.

Bob also decides on a “Plan B” for funds in the event that one or more of his listed charities becomes ineligible to receive a grant. Bob and CFSI sign the fund agreement, and Bob initiates the QCD. Because these wishes are pre-designated before Bob initiates the QCD, this is not an advised fund and complies with the rules that prohibit using a QCD to fund an advised fund.

Scenario:

Using a QCD to Support Favorite Causes, Forever

Sharon, your client, has a long relationship with Local Hospital as a second-generation board member and staunch annual supporter. Sharon has been using her annual QCD to support the hospital, but she is concerned that her significant annual donation will end upon her death. She would like to know if there are options she can consider to continue her annual gifts following her lifetime. You explain to Sharon that, as a rule of thumb, “20 times her annual gift will endow it forever”.

If Sharon gives \$10,000/year to the hospital now, she could make a QCD gift of \$60,000 to CFSI each year for the next five years. She would put plans in place for CFSI to send \$10,000 each year to the hospital - and add \$50,000 to an endowment fund she has created with CFSI. When it reaches a \$250,000 balance in five years, the fund could generate an annual distribution of \$10,000 to the hospital, in Sharon’s name, for generations to come. The endowment fund will replace Sharon’s annual giving, forever.

