

2 Ways to Donate and Save on Taxes

Donor-Advised Fund

If you are charitable-minded, investigate a donor-advised fund. The purpose of a donor-advised fund is to support charitable organizations you care about in a tax-efficient way. You may contribute cash, stock or other assets to a public charity (see <https://www.fidelitycharitable.org/>, <https://www.vanguardcharitable.org/> as examples) and achieve an immediate deduction. The funds that you use to contribute to the donor-advised fund can be invested and grow tax free. You can then recommend to the donor-advised fund, grants to the charities of your choice over time. The grants themselves are not tax-deductible because you receive the deduction immediately upon contributing to the donor-advised fund. The advantage of a donor-advised fund is that you can bundle your contributions, let's say every 3 or so years so that the deduction is larger and itemizable. You can donate appreciated assets such as stock and avoid capital gains tax.

The RMDs and QCDs of Retirement

If you are 70 ½ or older (going to 72 shortly), IRS rules require you to take a required minimum deduction (RMD) each year from your tax-deferred retirement account(s). The additional taxable income may change your tax bracket and could reduce your eligibility for certain tax credits and deductions. To reduce the impact of the taxable RMD income, charitable-minded investors may want to consider making a qualified charitable deduction (QCD). A QCD is a direct transfer of funds from a traditional or rollover IRA (not a ROTH IRA) to a qualified charity. The account types that are eligible for QCDs include: traditional IRAs, inherited IRAs, SEP IRAs (inactive plans only), and SIMPLE IRAs (inactive plans only). The deadline for making a QCD this year is December 31, the same time that you must take your RMD (or be subject to a severe penalty).

The maximum amount that can be taken from the RMD and used as a QCD is \$100,000 per year. In the case of a married couple, each person can contribute \$100,000 from their respective IRAs if they file jointly.