ED SLOTT'S IRA ADVISOR

December 2013

TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

QCDs, More Valuable Than Ever, Set to Expire

Once again, the qualified charitable distribution provision (QCD) is set to expire at the end of the year (2013). Will it be renewed for 2014 and later years? Perhaps, maybe even probably, but there are two things we know for sure right now. QCDs definitely can be used by qualifying clients through the balance of 2013 and, for those clients who are charitably inclined, the QCD has *never* been more valuable.

That might sound like an odd statement, especially when the 2013 QCD provision is the same as it's been in prior years, but the enhanced benefit of the QCD is not actually due to changes in the provision itself, but rather due to changes in the overall tax law. In fact, *not* using the QCD provision could cost a client $10,000 or more in completely unnecessary taxes. Here's how…

Example: The Grahams are a married couple, who are each over 70½ years old and have substantial IRA balances. Before taking any IRA distributions for the year, the Grahams have $250,000 of adjusted gross income (AGI) consisting of $50,000 of Social Security benefits and $200,000 of net investment income. The Grahams are charitably inclined and have decided to give $200,000 to charity this year and plan to do so using their IRAs.

The Grahams essentially have two choices. Option one – and the far better one at that – is for them to take advantage of the QCD provision by having $100,000 sent from each of their IRAs *directly* to a qualifying charity. The second option is to take $200,000 out of their IRAs, directly to them, and then for them to write a check to charity for the $200,000.

QCDs Keep AGI the Same

Let's examine the QCD option first. For starters, assuming the Grahams' respective required minimum

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