Trusts, Estates, and Gift Planning

Strategic financial planning for your Cornell philanthropy

Qualified Charitable Distributions
The future of giving

giftplanning.giving.cornell.edu
A Qualified Charitable Distribution (QCD) is a distribution from an IRA directly to an eligible charity. Thanks to recent legislation, and depending on your age and experience, making a gift through a QCD may be the best way for you to make a charitable contribution to Cornell.

**Key facts**
- A tax-efficient way to give
- Donors age 70 ½ or older are eligible
- Capped at $100,000 annually per individual
- A QCD lowers Adjusted Gross Income (AGI) and income tax liability
- Made from IRAs to 501(c)(3) charities only
- Cannot be made to a donor-advised fund (DAF), private foundation, or supporting organization
- Cannot be made from 401(k), 403(b) or other qualified retirement plans

**How they work together**
Required minimum distributions (RMDs) increase your Adjusted Gross Income (AGI) and put you at risk of higher tax liabilities and having other benefits taxed or costs increased. QCDs lower AGI and can be more than or less than your RMD (subject to maximum limits). The timing and sequence of distributions are important. The first dollars out of an IRA each year count towards your RMD. If those dollars are received by the IRA owner, it can reduce or even eliminate the benefits of making a QCD later in the year. Distributions received by the owner of the IRA cannot be returned or reclassified.

**You worked hard to save**
Saving for retirement is a rite of passage and a worthy ideal. With steady savings and some good fortune, many individuals will have asset balances that exceed their needs. Managing the distribution of those assets efficiently is an important undertaking.

**Recent legislation**
The Secure Act increased the required minimum distribution (RMD) age from 70 ½ to 72. These RMDs increase every year and are designed to draw down, and extract taxes, from the accumulated, tax-deferred, balance. Also, that same piece of legislation eliminated the “Stretch IRA.” This has opened the door for alternative gift strategies with IRA balances.

**Tax implications**
The US tax code is full of income-based phaseouts for tax deductions and tax credits. However, no such phaseout or tax-filing status restricts the ability to use IRA assets this way. This means that spouses may distribute up to $100,000 each, annually, to their favorite philanthropic organizations (spouses may each make a QCD from his or her own IRA within the same tax year for up to $100,000.)

**Adjusted Gross Income-sensitive tax items**
- Social Security benefits
- 3.8% Medicare surtax on investment income
- Roth IRA eligibility
- Medicare premium rates
- Child and education-related tax credits

**The Solution**
IRA asset management has shifted towards charitable purposes from retirement income and estate planning. Smart planners see how charitable giving can benefit their portfolios and give back to places they love, like Cornell. There are many ways to use your IRA for your philanthropy. The easiest way to get started is to take advantage of the checkwriting privilege offered by many IRA custodians.

QCD gifts can support any area of Cornell. You can provide immediate support or create a named endowment for a gift that never stops giving. If you are unsure where to start, please contact Trusts, Estates, and Gift Planning. Our team is ready to help and available to answer your questions.

Cornell University and its employees do not provide tax, legal, or financial advice. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal, or financial advice. You should consult your tax, legal, and financial advisors for personalized advice.

**Learn more**
Additional resources are available for you to review on our website giftplanning.giving.cornell.edu

Cornell’s Office of Trusts, Estates, and Gift Planning
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