

Timing is Everything: When and How to Strategically Use Qualified Charitable Distributions (QCDs)

As a trusted advisor, your clients rely on you to align their philanthropic goals with tax-efficient strategies. One powerful yet often underutilized tool is the qualified charitable distribution (QCD). While many clients are aware of QCDs, they may not fully understand the optimal timing, amount, or structure for giving—this is where your expertise becomes essential.



What is a QCD?

A qualified charitable distribution allows individuals aged 70½ or older to donate up to **\$108,000 per year** (adjusted annually for inflation) directly from their IRA to a qualified charity without counting the distribution as taxable income. For married couples, each spouse can contribute up to \$108,000 from their respective IRAs, potentially totaling **\$216,000** in tax-free charitable giving annually.

QCDs can also satisfy all or part of a client's **required minimum distribution (RMD)** once they reach age 73 (as of 2025). This makes QCDs especially valuable for clients who don't need their RMD for living expenses and want to avoid increased taxable income or Medicare premium surcharges.

When Is the Best Time of Year to Make a QCD?

Making a QCD at different times of the year can offer unique advantages, with the benefits depending on when the gift is made.

1. Early in the Year (January–March):

- **Strategy:** ideal for clients who want to ensure their QCD counts toward their RMD early.
- **Benefit:** reduces taxable income upfront, which is especially useful if clients anticipate additional distributions or capital gains later in the year.

2. Mid-Year (April–August):

- **Strategy:** a time period when clients have a clearer picture of their income and tax exposure.
- **Benefit:** allows coordination with tax professionals to align charitable giving with broader financial goals.

3. Year-End (September–December):

- **Strategy:** a popular time for giving, but timing is critical.
- **Benefit:** enables clients to meet both charitable and RMD goals, but late-year processing delays can jeopardize timely completion.

Important Tip: QCDs must be completed by **December 31** of the current tax year to count. The funds must go **directly from the IRA to the charity**—clients cannot take a distribution and then donate the funds themselves.

A QCD from an IRA is considered complete when the funds are transferred directly from the IRA custodian to the qualified charity, and the funds are no longer under the control of the IRA owner. This usually means the funds have been distributed (either electronically or via check) and the check has been cashed by the charity.

How Much Should Clients Give?

The ideal QCD amount depends on several factors:

- **RMD Requirements:** Some clients give only up to their RMD; others may contribute the full \$108,000.
- **Tax Bracket Management:** QCDs can help clients avoid moving into a higher tax bracket or triggering IRMAA Medicare premium surcharges.
- **Charitable Intent:** Clients may have annual giving goals or wish to “front-load” donations for multi-year impact.
- **Legacy Planning:** Larger QCDs over time can reduce the taxable value of an IRA, aligning with estate planning goals.

Key Information Advisors Should Gather

To provide tailored guidance, ensure you have:

1. Client's birthdate and IRA details (must be at least 70½ at the time of the gift).
2. RMD amount and deadline.
3. Current tax bracket and projected income.
4. Charitable interests and giving history.
5. Other charitable strategies in use (e.g., donor advised funds, which are not QCD-eligible).
6. Estate planning considerations, especially regarding IRA beneficiaries and charitable bequests.

Helping Clients Choose a Charity

Encourage clients to:

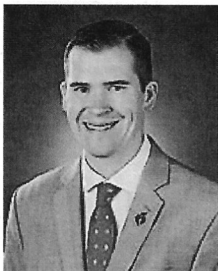
- **Verify eligibility:** Ensure the charity is a qualified 501(c)(3) public charity. Private foundations, supporting organizations, and donor advised funds do not qualify.
- **Evaluate impact:** Use tools like GuideStar or Charity Navigator to assess transparency and financial health.
- **Request confirmation:** Obtain an acknowledgment letter from the charity confirming receipt of the QCD even though it's not required for a tax deduction.

Conclusion

QCDs offer a triple benefit for clients aged 70½ or older: reducing taxable income, satisfying RMDs, and supporting meaningful causes. As an advisor, you play a crucial role in helping clients determine **when to give**, **how much to give**, and **how to give effectively**.

Now is a great time to schedule an annual **“QCD Check-In”** to review IRA balances, giving goals, and tax strategy. With thoughtful timing and planning, QCDs can become one of the most impactful tools in your client's financial toolkit.

About the Author



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