

## **Stewardship: Giving through a Retirement Account Distribution**

If you are planning to make your 2021 pledge for the mission of Grace Church or want to pay your 2020 pledge from the required minimum distribution (RMD) from your retirement account, this information from The Episcopal Network for Stewardship (TENS) may be helpful. Like so many things in 2020, RMDs from retirement accounts are different this year.

If you are age 72 or older, IRS rules require you to take an RMD each year from your tax-deferred retirement accounts. The CARES act temporarily waives RMDs for all types of retirement plans (including IRAs, 401(k)s, 403(b)s, 457(b)s, and inherited IRA plans) for calendar year 2020. This includes the first RMD, which individuals may have delayed from 2019 until April 1, 2020.

A Qualified Charitable Distribution (QCD) is a direct transfer of funds from one's IRA, payable directly to a qualified charity, as described in the QCD provision in the Internal Revenue Code. Amounts distributed as a QCD can be counted toward satisfying the RMD for the year, up to \$100,000. The QCD is excluded from your taxable income. This is not the case with a regular withdrawal from an IRA, even if one uses the money to make a charitable contribution later on. If you take a withdrawal, the funds would be counted as taxable income even if you later offset that income with the charitable contribution deduction.

Why is this distinction important? If donors take the RMD as income, instead of as a QCD, the RMD will count as taxable income. This additional taxable income may push them into a higher tax bracket and may also reduce eligibility for certain tax credits and deductions. To eliminate or reduce the impact of RMD income, charitably inclined investors may want to consider making a QCD.

Whatever way you choose to structure your pledge and gifts this year, we hope that this tax-wise advice can help make the best gifts possible. For more information, please visit this [Episcopal Church Foundation article](#) on RMDs and the CARES and SECURE Acts.