

Why Qualified Charitable Distributions Are a Great Resource for Your IRA



Having a comfortable retirement is a goal that many of us spend our whole lives working to achieve. Thankfully, many financial tools are now available to retiring Americans, with the IRA and the Qualified Charitable Distribution existing to help their savings grow.

If you're interested in opening your own IRA, here is everything you need to know about how a Qualified Charitable Distribution can help you save.

What is an IRA?

An IRA, or [Individual Retirement Arrangement](#), is a particular type of bank account where members can store their savings in preparation for their eventual retirement.

These accounts can be paired with employment-based retirement plans, like a 401(k), and can make your retirement funds grow faster and last longer.

IRAs are also important for users because they can help shield your savings partially or completely from taxes.

Different types of IRA accounts include:

- **Traditional IRA:** Savings can be invested in the account and avoid taxation, but taxes will eventually be paid when savings are withdrawn.
- **Roth IRA:** Savings are taxed before entering this account, but growth on the original investment will be tax-free.
- **Rollover IRA:** Savings are transferred directly into this account from your employer or employment-based plans.

How Can a Qualified Charitable Distribution Help?

Although the IRA has many benefits and can increase your retirement savings, there are some drawbacks. The greatest downfall is that owners who are 70 years or older must withdraw a certain amount every year.

This forced withdrawal is called a [Required Minimum Distribution](#) (RMD), which includes portions of your savings in your taxable income, potentially increasing the amount you need to pay to the IRS.

However, IRA owners who donate this RMD using a [Qualified Charitable Distribution](#) will not be penalized for it on their taxes and can remain eligible for tax credits and other benefits.

You'll not only be helping out a good cause, but you'll also be providing yourself a great relief during tax season.

Retirement finance is a complex topic and it can be difficult at times to understand what might or might not be taxed, but Business YXZ is here to help. Give our retirement experts a call today at 555-555-5555 or visit us online and see how we can make your money work for you.

REFERENCES (DO NOT PUBLISH):

<https://www.journalofaccountancy.com/issues/2018/oct/irs-qualified-charitable-distributions.html>

<https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-required-minimum-distributions-rmds>

<https://www.irs.gov/retirement-plans/individual-retirement-arrangements-iras>