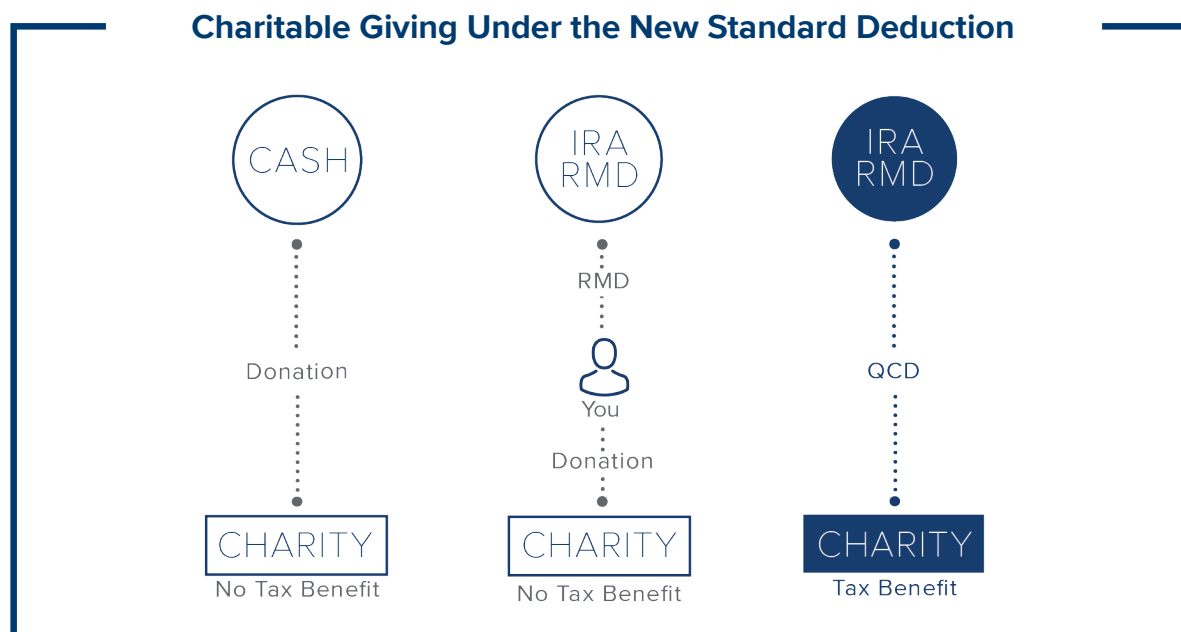


# AVOID TAX ON RMDs BY GIVING TO CHARITY

Thanks to the 2017 Tax Act, many taxpayers will no longer get a financial benefit from itemizing deductions starting with their 2018 tax return. That's because the standard deduction essentially doubled and the deduction for state and local income and property taxes was capped at \$10,000. It is estimated that the number of households itemizing deductions will decrease by 70% as a result of these changes.

While you should almost always claim the larger of your standard or itemized deductions, it's important to understand that when you claim the standard deduction, you are not getting any financial benefit for your charitable donations on your federal tax return. But for those charitably minded individuals who have an Individual Retirement Account (IRA), are over age 70.5 and have Required Minimum Distributions (RMDs) exceeding their lifestyle needs, it's possible to both claim the new larger standard deduction and get a financial benefit for your generosity by using the Qualified Charitable Distribution (QCD) strategy.

The QCD strategy allows you to send payments directly from your IRA to the charitable organization(s) of your choice and have it count towards your RMD. This means that the charitable giving out of your IRA reduces your adjusted gross income (AGI), taxable income, and the resulting tax liability. It's important to note that this special treatment does not apply if you receive the RMD and later decide to donate the cash to charity. Additionally, the maximum that you can transfer is capped at \$100,000 per person per year.



While the QCD is a great strategy for many individuals, actually getting the financial benefit will not occur until your tax return is accurately prepared. Make sure to let your tax preparer know that you completed a QCD when you go to file a return, as they won't have access to that information unless you provide it.

For more details on QCDs and how they work, read Brian Vnak's column, [\*\*QCDs: Use this Tax Strategy to Get More from 2018 RMDs\*\*](#) on [kiplinger.com](#).

This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.

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