

October 16, 2020

Well it's that time of year again as Every Member Canvass approaches. I know this can be a very difficult challenge for many trying to figure out how much to pledge each year. This year is even more complicated as we've all had to deal with both COVID and the struggling economy, not only as individuals, but as members of Christ & Grace as well. So for everyone 70 ½ or older, I have an idea that I hope may help solve some of your pledge concerns while benefitting the Church as well.

Most people pay their Church pledge from their monthly income. For many of those retired individuals on a fixed income, this can be a very real challenge. Several years ago, Congress passed a law allowing funds to be transferred (QCD-Qualified Charitable Distributions) from your IRA directly to most charitable organizations (including Christ & Grace) without having to pay tax on the distribution. The amount transferred does not qualify for a tax deduction, but many taxpayers no longer itemize their deductions after Congress doubled the amount of the standard deduction last year.

Each year everyone over 70 ½ is required to withdraw funds from their IRA's (Required Minimum Distribution). This amount is based on their age and the total balance in their IRA. Since this QCD qualifies as a Required Minimum Distribution, it reduces (not eliminates) the amount you are required to withdraw from your IRA each year, and therefore reduces your total income. Since many individuals may have larger IRA balances, using your IRA allows you to pay your pledge (in full or in part) without having to use your regular monthly income. By eliminating the QCD from your income, it may also help reduce your other taxable income by making less of your social security taxable. So this can possibly be a win-win for you. It's important for you to have a general understanding of how this works to see if it's something that you might want to investigate further.

I've tried to keep this short and as simple as possible, but there are a number of other rules that you must understand as well. So I suggest you contact your tax preparer or financial advisor to help guide you through this process. If you have any questions, I'll be happy to answer them for you. Good luck!

Boston Lackey