

A while back I wrote a blog lamenting the fact that the vast majority of taxpayers overpay their taxes by not taking advantage of the tax laws. In that blog I referred to the failure of taxpayers to fund tax favored accounts such as IRAs, HSAs, 401Ks, solo 401Ks, SIMPLES, Roth IRAs, and SEPs.

But what about you seniors who no longer have the opportunity to fund retirement accounts? Could you be overpaying your taxes as well?

Yes, if:

1. You are 73 or older; AND
2. You are taking RMDs (required minimum distributions); AND
3. You write checks (or use debit or credit cards) to fund your favorite charities.

We all know that distributions from traditional IRAs are generally taxable. Most of you have probably figured out that, given the new higher standard deductions and SALT restrictions, charitable contributions are no longer deductible for most people.

May I introduce the magic of the QCD (qualified charitable distribution, not to be confused with quantum chromodynamics)?

You can turn those taxable RMDs into nontaxable RMDs by having your RMDs (or a portion thereof) paid directly to your charities.

There are rules of course:

<https://www.investopedia.com/articles/financial-advisors/032116/how-use-qcd-rule-reduce-your-taxes.asp>

What's not to like about legally avoiding taxes on your RMDs?

PS Feel free to forward this blog to any seniors you love.