MAXIMIZING YOUR DONATIONS – AND TAX BENEFITS

Maya Health Alliance Board Treasurer David Sterman, a certified financial planner, shares some tips for making the most of your charitable donations and saving on taxes in the process!

(*Note:* These are ideas to get you started and not meant as financial advice; talk to your accountant or financial planner for advice on your particular situation.)

QCDs: A Win/Win for Charities and Their Donors

During your working years, your ability to support your favorite charities has some constraints. You want to be generous but also be sure you are saving enough for old age. Once in retirement, your future financial picture becomes clearer. If your financial situation is strong enough, you can more comfortably enhance your level of charitable giving. And a hidden part of the federal tax code shows us an ideal strategy to create a win/win situation.

Qualified Charitable Distributions (QCDs) enable a direct transfer of funds from your Individual Retirement Account (IRA) to a qualified charity (known as a "501c(3)). These transfers can be counted toward satisfying your required minimum distributions (RMDs), which are the amount you MUST take out of your retirement accounts once you are in your 70s. The specific age varies based on the decade you were born. But you can start making QCDs starting at age 70 1/2, even if the date when you are required to make distributions is not for a few years. These distributions are taxable as ordinary income. But if you donate part of the distribution to your favorite charity (or charities) you won't owe any taxes on the amount you donate.

The maximum annual amount that can qualify in 2025 for a QCD is $108,000. This applies to the sum of QCDs made to one or more charities in a calendar year. If, however, you file taxes jointly, your spouse can also make a QCD from his or her own IRA within the same tax year for up to $108,000. Note that partial donations of your required minimum distribution result in only a partial tax break.

Please also know that to qualify for the tax deduction, you need to donate directly to a charitable organization. You cannot donate your RMDs to:

- Private foundations

- Supporting organizations: i.e., charities carrying out exempt purposes by supporting other exempt organizations, usually other public charities
- Donor-advised funds, which public charities manage on behalf of organizations, families, or individuals

Donating Appreciated investments

Another way to support your favorite 501(c)3 is by donating an investment from a brokerage (i.e. non-retirement) account. Recall that if you have a stock or other investment that has risen in value (known as a “gain”), then you will owe capital gains taxes on that added value.

Donating part of all of that investment brings two great benefits: The total value of the donated investment can be used as a deduction on your taxes. And the receiving organization receives a really helpful financial boost. These donations can be made with stocks or stock funds. Donating bonds isn’t as beneficial as bonds don’t really “gain” in value very much.

Securing your tax break by “bunching”

Not all charitable efforts lead to a tax deduction. To take advantage of these gifts in terms of lower taxes, you would need to use the “itemized” deductions on your tax return. Many people do not have enough deductions to itemize, so they take the standard deduction (which in 2025 is $15,000 for single filers and 22,500 for Head of Households, and $30,000 for married filers). Deductions are often taken on items such as state and local taxes, mortgage interest and other items.

If you don’t have enough deductions to itemize, you can pursue a “bunching” strategy. This involves tripling up on your charitable donations every third year. If you make three years’ worth of donations in one year, the amount—when combined with other deductions—may be just enough to enable you to take the charitable giving tax deduction. Here again, talk to your accountant or financial planner.

Estate Planning: Securing your legacy and strengthening your community

While we’re on the topic of retirement and charities, you may also want to consider favored charities in your estate plans. Legacy-focused charitable giving is one of the best ways to ensure that future generations will live in a more equitable and supportive environment. This is known as “planned giving.”

Identifying how much you would like your estate to disburse to a charity upon your passing can be expressed in two ways: in dollar terms or as a percentage of your assets. Or you can think of it in terms of ordering. For example, some people leave some money to a charity and the remainder of their estate to loved ones (or vice versa).

Talk to your attorney, financial planner, your local Community Foundation or your favorite charities about how you can support them through your estate plans!

Maya Health Alliance **|** Wuqu' Kawoq is a 501c(3). Our EIN is 20-8741625