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DAFs & QCDs:

What You Need to Know for Smarter Philanthropy

When it comes to tax-efficient charitable giving, **Donor-Advised Funds (DAFs)** and **Qualified Charitable Distributions (QCDs)** are two powerful tools—each with their own benefits and limitations. While they serve different purposes, some donors may find themselves considering both strategies to maximize their giving potential.

The Basics

DAF contributions are generally best funded with non-qualified assets during the donor's lifetime and allow for a charitable deduction as well as avoidance of gain on an appreciated asset.

QCDs are a tax-free distribution from an IRA, directly to a charity. QCDs can be counted toward satisfying a required minimum distribution and avoid income tax on the distribution.

QCDs cannot be directed into a DAF because that would allow the taxpayer both the avoidance of an income-taxable event and a charitable deduction against income.

Choosing which option is best will depend on your clients' circumstances

Both Donor-Advised Funds and Qualified Charitable Distributions ...

- Offer tax advantages
- Straightforward account management with no need for separate investment strategies.
- Easily allow money to be sent directly to the charity of choice.

Comparing a DAF and a QCD

DAFs	QCDs
No age restrictions.	Must be 70½ or older to qualify for this charitable giving tool.
Can deduct up to 60% of your AGI for cash donations to qualified public charities, an amount set by the IRS.	The maximum amount an IRA owner can distribute as a QCD is $108,000 in 2025.
Donations can be made anonymously.	Donations are not anonymous.
Can remain in a fund with potential investment growth and the funds can be granted out over time, creating a legacy beyond the donor's lifetime.	Must be done immediately, and only during the donor's lifetime.
Annual administration fee.	No fees outside a potential brokerage fee.

When is a QCD the right move?

At age 73, individuals are required to begin taking Required Minimum Distributions (RMDs) from their IRA account.

For those looking to lower their taxable income, a Qualified Charitable Distribution (QCD) can be a tax-efficient way to fulfill this requirement while supporting a charitable cause.

A QCD allows funds to be withdrawn directly from an IRA and donated to a qualified charity without incurring taxable income.

This strategy can be particularly beneficial for individuals with large IRA balances who want to make a substantial charitable contribution while reducing the impact of RMDs on their taxable income.

Important to keep in mind:

While QCDs avoid taxable income from taking place, it will not lower your Modified Adjusted Gross Income (MAGI), so your clients Medicare premiums cannot be lowered through QCDs.

How a DAF can set you apart from the competition

Generational Giving: DAFs give the benefit of speaking with your client about generational giving, allowing them to include family and ensure philanthropic values are passed down through generations.

Long-term Giving: DAFs allow your clients to give to the communities and causes they love long after they are gone.

Differentiation: As a financial advisor, offering specialized advice in areas like philanthropy or charitable giving can differentiate you from other advisors who may focus solely on investments or tax preparation. DAFs are a specific niche area that showcases your holistic approach to wealth management.

Strengthen your client relationships with a DAF

Both QCDs and DAFs are positive charitable vehicles, but DAFs allow for more flexibility and help you strengthen your client relationships. If you have questions about which method of giving is best for your client or are ready to speak with them about opening a DAF, we are here to help.

*Contact us now at **askanexpert@reninc.com** or visit us at **reninc.com** to learn more.*