

ESTABLISH A CHARITABLE GIFT ANNUITY USING A QUALIFIED CHARITABLE DISTRIBUTION

Taxpayers who are 70 ½ or older can establish a charitable gift annuity with a qualified charitable distribution (QCD) from their individual retirement account. Utilize this tax-savvy giving strategy to support the areas at Duke that you care about most.

With a charitable gift annuity, a donor makes a gift to a public charity (like Duke!) in exchange for fixed lifetime income payments. While taxpayers have established gift annuities with gifts of cash or stock for many years, the ability to establish a gift annuity with a transfer from an IRA is a newer option.

Factors to consider when using a QCD to establish a charitable gift annuity

What are the benefits? A QCD is a tax-free distribution from your IRA. When you use a QCD to fund a charitable gift annuity (CGA), you will receive the security of a fixed income for your lifetime and/or the lifetime of your spouse. You will also provide future support for Duke; you may direct your CGA remainder to the area(s) at Duke most important to you.

Will this satisfy my RMD? If you are 73 or older, your QCD contribution will count toward your required minimum distribution (RMD) in the year of the gift. The amount of a QCD that counts toward your RMD may be reduced by additions to an IRA made after age 70 ½.

How much can I donate? For a QCD-funded charitable gift annuity, there is an aggregate limit of \$55,000 per taxpayer in 2026. A married couple can each contribute \$55,000 from their respective IRAs, for a total of \$110,000. These dollar limits may be adjusted for inflation in future years.

Can I establish a QCD-funded CGA every year? No. This option can only be used once during your lifetime, in a single calendar year. Your spouse can use this option in the same year or a different year.

Will I receive an income tax deduction? While a QCD-funded CGA does not generate a charitable deduction, QCD amounts are not typically subject to federal income tax unless made from documented after-tax contributions to the IRA. Some states treat the QCD like a withdrawal for state tax purposes, but this varies from state to state.

How are the annuity payments taxed? The full amount of each payment received from a QCD-funded charitable gift annuity will be taxed as ordinary income.

How to get started

1. **Check with your financial advisor** to determine how establishing a charitable gift annuity through a QCD will impact you.
2. **Contact us for your personalized gift annuity illustration.** Duke University's Office of Gift Planning has charitable planning professionals available to work with you and your financial advisors to explore giving strategies that support your financial goals now and in the future.
3. **Establish your charitable gift annuity** at Duke with a gift of \$25,000 or more.

Other factors to consider:

- You must be at least 70 ½ years of age at the time of the transfer and the transfer must be from a traditional IRA, not a 401(k), 403(b), etc.
- The annuity can only benefit you and/or your spouse, and payments must start within 1 year of the gift. The annuity payout rate is based on your current age, with a minimum payout rate of 5%.
- The annuity income interest is not assignable, including to the charitable beneficiary. You (and/or your spouse) will receive the annuity income for your lifetime(s).

For example: Betty is 74 years old and has a traditional IRA. Betty has to take a RMD from her IRA this year, but does not need the income and would like to minimize taxes this year. Betty decides to make a \$25,000 QCD transfer to Duke to establish a charitable gift annuity, an election she can make in one tax year during her lifetime. Betty's charitable gift annuity will pay her \$1,700 each year (a 6.8% annuity rate) for as long as she lives. Betty is looking forward to providing a generous gift to Duke while receiving the security of a fixed income for the rest of her life and reducing her tax burden this year.

Sample payout rates for gift annuities making payments to an individual or married couple:

INDIVIDUAL		MARRIED COUPLE		
YOUR AGE	GIFT ANNUITY RATE	YOUR AGE	YOUR SPOUSE'S AGE	GIFT ANNUITY RATE
73	6.7%	73	73	5.9%
75	7.0%	75	75	6.2%
77	7.4%	77	77	6.5%

Rates are based on the American Council on Gift Annuities suggested rate schedule, effective January 1, 2024.

Connect with us to get started

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