

December 12, 2023

Dear Friend of Rockford Lutheran School,

Your retirement savings are the result of many blessings over the years from God, who wants us to have meaningful work and gives us the very ability to produce wealth on Earth (Deut. 8:18). As we approach the end of this calendar year, I'd like to remind you of an important tax law that allows you to better steward your retirement savings through the opportunity to make a tax-free gift from your IRA to any qualified charitable organization, such as Rockford Lutheran School. We all know that we serve the Lord and do His work on Earth through our charitable giving and He has promised our true inheritance reward from Him in Heaven (Col. 3:23-24). C.S. Lewis summed this up eloquently:

Every faculty you have, your power of thinking or of moving your limbs from moment to moment, is given you by God. If you devoted every moment of your whole life exclusively to His service, you could not give Him anything that was not in a sense His own already.

– C. S. Lewis, *Mere Christianity*

In many instances, the requirement to take a required minimum distribution (RMD) amount creates an additional financial burden, potentially increasing the overall tax liability. Thankfully, the law also gives a Qualified Charitable Distribution (QCD) provision. If you are required to take a distribution, this is a wonderful opportunity to reduce your tax liability as you share your blessings with others! Even though the RMD requirements begin at age 72 this year, you can still elect to make a QCD if you are age 70½. Many who hold an IRA find that their income tax computations are the most favorable using this provision. Plus, with the recent changes to tax laws, you can also take advantage of the QCD provisions while still taking the standard deduction.

Here are the basics of how the Qualified Charitable Distribution from an IRA works:

- If you are 70½ or older, you can give up to \$100,000 directly from your IRA (regardless of your RMD amount).
- The funds must be sent directly from your IRA to Rockford Lutheran School; you cannot receive the funds first or this is considered taxable income to you.
- The transfer generates *neither taxable income nor uses a tax deduction*, so you still benefit even if you do not itemize your tax deductions.
- If you have not taken your required minimum IRA distribution for the year, your qualified charitable distribution gift can satisfy all or part of that requirement.
- The transfer may be made in addition to any other charitable giving you have planned or already given.

You must act now to take advantage of the benefits associated with this giving opportunity for the 2023 tax year. If you are interested in this unique opportunity to help our students and further our mission, or if you have any questions, please contact us. We are happy to help you explore and understand this option without any obligation on your part but we can't offer official tax advice, for which we urge you to speak to your tax advisor.

Richest Blessings,

Alan Runge

Alan Runge

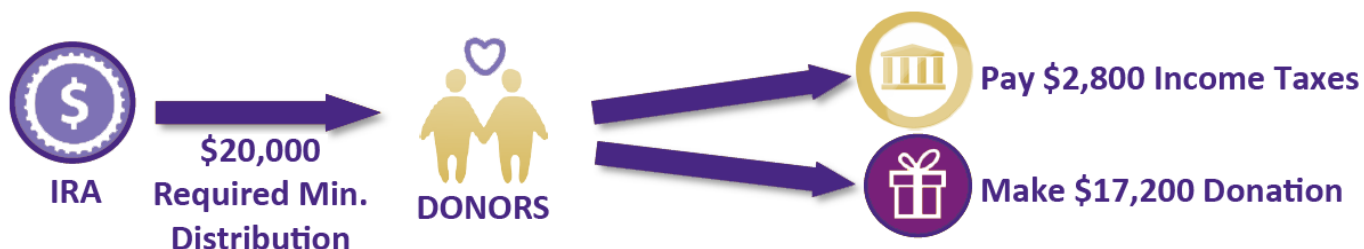
Rockford Lutheran Head of School



How does a Qualified Charitable Distribution work?

While the any IRA owner can donate through a Qualified Charitable Distribution, beginning at age 72 this provision in the tax laws can have significant impact on the resulting tax liability, potentially bringing the liability to zero if all of the RMD amount is donated through a QCD.

If you receive your Required Minimum Distribution (RMD) then make your donation, you have to pay income taxes on your RMD.



BUT, if you make a Qualified Charitable Distribution directly to a charity or charities, you avoid paying income tax on your RMD, which increases the size of your donation.



Consider these sample scenarios:

	Scenario 1	Scenario 2	Scenario 3
Rob's annual RMD on \$492,000 IRA	\$20,000	\$20,000	\$20,000
Qualified Charitable Distribution	\$ 5,000	\$20,000	\$20,000
Taxable Portion of RMD	\$15,000	\$ 0	\$ 0
Additional QCD Donation	(Still tax free but further reduces IRA balance and potentially reducing future year RMD amounts)		\$ 5,000

If you are 70 ½, own an IRA, or are 72 and have an RMD requirement, and donate to charity, QCDs may make sense for you; consult a tax advisor regarding your specific situation.