



Qualified Charitable Distributions

When planning your IRA withdrawal strategy, you may want to consider making charitable donations through a Qualified Charitable Distribution (QCD).

A QCD is a direct transfer of funds from your IRA custodian, payable to a qualified charity. QCDs can be counted toward satisfying your required minimum distributions (RMDs) for the year, as long as certain rules are met.

In addition to the benefits of giving to charity, QCDs exclude the amount donated from taxable income, which is unlike regular withdrawals from an IRA. Keeping your taxable income lower may reduce the impact on certain tax credits and deductions, including Social Security and Medicare.

Can I make a QCD?

While many IRAs are eligible for QCDs — Traditional, Rollover, Inherited, SEP (inactive plans only), and SIMPLE (inactive plans only)* — there are requirements:

- You must be 70½ or older to be eligible to make a QCD
- QCDs are limited to the amount that would otherwise be taxed as ordinary income. This excludes non-deductible contributions.
- The maximum annual amount that can qualify for a QCD is \$100,000. 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 \$100,000.
- For a QCD to count towards your current year's RMD, the funds must come out of your IRA by your RMD deadline, generally December 31

Any amount donated above your RMD does not count toward satisfying a future year's RMD.

Funds distributed directly to you, the IRA owner, which

you then give to charity do not qualify as a QCD.

Under certain circumstances, a QCD may be made from a Roth IRA. Roth IRAs are not subject to RMDs during your lifetime, and distributions are generally tax-free. Consult a tax advisor to determine if making a QCD from a Roth IRA is appropriate for your situation.

What kind of charities qualify?

The charity must be a 501(c)(3) organization, eligible to receive tax-deductible contributions.

Some charities do not qualify for a QCD:

- 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

Tax reporting

A QCD is reported as a normal distribution on IRS Form 1099-R for any non-Inherited IRAs. For Inherited IRAs or Inherited Roth IRAs, the QCD will be reported as a death distribution. Itemization is not required to make a QCD. While the QCD amount is not taxed, you may not then claim the distribution as a charitable tax deduction.

A QCD is not subject to withholding. State tax rules may vary, so consult a tax advisor for guidance.

When making a QCD, you must receive the same type of acknowledgment of the donation that you would need to claim a deduction for a charitable contribution.

Tax planning can be very complex. Working with a qualified tax advisor can help you determine if both your IRA and charitable contributions qualify for QCDs.

* Per the IRS, a SEP or SIMPLE IRA is considered active if it has been maintained under an employer arrangement under which an employer contribution is made for the plan year ending with or within the IRA owner's taxable year in which charitable contribution would be made.

the December market

at a glance



U.S. Large Cap
(S&P 500)

2,673.61

0.98%



U.S. Mid/Small
(Russell 2000 Index)

1,535.51

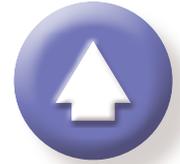
0.56%



Foreign Large
(NYSE International 100)

5,792.03

1.74%



U.S. Bonds
(Barclays US Aggregate)

2,046.37

0.46%

December 2017 market data

in action

- The government passed legislation that represented the most significant overhaul to the tax system in decades. The “Tax Cuts and Jobs Act” will alter main tenets of the tax code, including: lowering the corporate tax rate, raising the standard deduction, adjusting individual tax brackets, and more.
- The past 12 months saw major stock indices experience massive increases in value, led by notable indices such as the Dow Jones Industrial Average (28 percent), the S&P 500 (22 percent), and the Nasdaq (30 percent).
- In the final months of 2017, Bitcoin became one of the most frequently discussed topics in the world of finance and economics. At its peak, Bitcoin increased in value by over 1,900 percent since the start of the year. Ultimately, Bitcoin ended the year valued at about \$13,860, roughly 1,261 percent higher than its value at the beginning of 2017.
- The Walt Disney Co. bought the majority of 21st Century Fox. The deal, which was announced in mid-December, is reportedly worth over \$52 billion.
- According to a recent study by NerdWallet, the average household in the U.S. owes nearly \$16,000 in credit card debt.
- In a recent report by the Wall Street Journal, about 5 million Americans are currently in default on student loans — roughly double the amount from four years prior. This represents nearly 13 percent of all outstanding student loans.
- Existing home sales in November 2017 hit an 11-year high. Sales increased by about 5.6 percent from the previous month. Some analysts believe that this information points to a recovering housing market that has been slow to regain its value following the Great Recession.

January

is a great month for New Year's financial resolutions

Each year, many people set financial goals like “save more money.” Making the resolution is easy, the difficulty comes from deciding how to save. Fortunately, improving your financial situation can be a side effect of making other positive changes in your life. Here are some popular New Year's resolutions that can save you money:

Lose weight

Losing weight and increasing overall health often tops the list of most common resolutions. On average, obese adults spend 42 percent more on health care costs than adults with a healthy weight. Additionally, commuting options (like walking or biking) can provide additional savings while helping you reach your health and weight goals.

Prepare food at home

According to the Bureau of Labor Statistics, the average household spent \$7,203 on food in 2016. From this, money spent dining out accounted for over \$3,150. A 2014 study from Public Health Nutrition indicates that those who ate out consumed about 200 more calories per day than those who ate at home.

Quit that smoking habit

Smoking is a financial lose-lose. Upfront it is an expensive habit that later on can lead to a myriad of health problems. At the national average of \$6.16, buying a pack per day will cost you about \$2,250 over the course of a year. The good news: When a person quits smoking, the physical and financial benefits start to become noticeable within less than a month.

Pay off major loans

Making extra loan payments may be a difficult adjustment at first, but you will ultimately be saving money that would have otherwise been lost to accumulating interest. When the loan is paid-off, you will have funds available that you have already learned to live without, providing you with a great opportunity to save more for your next goal.

Adjust savings percentage

A new year may also come with a bonus or a raise. Consider putting some of that new money towards your savings. Increasing contributions to a company-sponsored retirement plan — no matter how small — can aid your retirement plan without compromising your current standard of living.



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