

Using Your 2017 RMD to benefit the YMCA of Frederick County

By John F. Dallavalle CPA, ChFC, CLU at RLH CPA's

Doesn't time fly? We have made it to RMD season again – that is the annual **Required Minimum Distribution** that must come from your IRA or retirement savings if you are over 70 ½ years old. Uncle Sam needs to get his tax dollars sometime! Your friends at the YMCA have a tax “loophole” just for you.

This loophole relates to the ability to move money that would satisfy your RMD directly to the YMCA as a charitable contribution. You might ask, “What’s the big deal?” There are several aspects of this that are important as you think about your year-end giving. First, most retirees are collecting income from Social Security benefits. Those benefits may or may not be taxable. There is a complex formula that taxes up to 85% of that income when your test income is over \$32,000 when you are married or \$25,000 if you are single. So, it is very easy to move from a non-taxable position to one where your RMD is taxed at over 25%.

In addition to the added taxation of Social Security benefits, the increase in gross income will impact the amount of medical deductions. Remember that these are subject to a 10% of gross income limitation, and as one takes the RMD, medical deductions will be reduced by 10% of the draw. Said another way, the bigger the RMD, the less likely you will be able to deduct your medical costs.

If you are living comfortably with your current income, net worth, and tax position, it really becomes a question of how much you would like to send to the IRS versus our local community through the YMCA. The Y depends upon generous folks like you to make many of our program services possible. You may not want to do this with all of your RMD, but, if you are charitably minded and living comfortably without the withdrawal, maybe philanthropic endeavors would provide some extra meaning to your life and help another person's life. To calculate the impact of the direct payment of your RMD to the YMCA, you should speak with your tax advisor. Each person's tax situation is different.

Should you or a loved one be interested in learning more about giving options at the YMCA of Frederick County, please contact Tom Clingman at (301)663-5131 or tclingman@frederickymca.org