

# The QCD Advantage

How strategic charitable giving from an IRA can reduce lifetime taxes and strengthen a client's legacy.



### Client Profile: Susan Miller

Susan is a 74-year-old widow with a **\$700,000 Traditional IRA**. Between her pension and investment income, she receives approximately **\$70,000 per year** and lives comfortably on \$40,000. She gives **\$10,000 each year to charity**—out of pocket, with no tax benefit since she doesn't itemize. With two children, leaving a meaningful, tax-efficient legacy is a top priority.

### The Challenge

Her upcoming RMD is approximately **\$27,451** — taxable income she doesn't need. Her charitable giving is generating zero tax benefit. And without a coordinated plan, the Traditional IRA she leaves behind will be fully taxable to her children, potentially eroding the legacy she hopes to leave.

### The Opportunity

By redirecting her charitable giving as Qualified Charitable Distributions (QCDs) directly from her IRA, Susan satisfies a portion of her RMD tax-free while continuing to support the causes she values. Pairing this strategy with a \$50K annual Roth conversion gradually shifts assets from taxable to tax-free — creating additional after-tax flexibility for Susan and reducing the income tax burden her children will ultimately inherit.

TRADITIONAL IRA  
**\$700K**

2026 REQUIRED MINIMUM DISTRIBUTION (RMD)  
**\$27,445**

CHARITABLE GIVING  
**\$10,000/yr**  
Currently yields no tax benefit

POTENTIAL LIFETIME TAX SAVINGS  
**~\$25K+**  
With \$10K QCD strategy vs. no plan

Scenario	No Conversion		With Roth Conversion		
	Lifetime Tax No RC	After-Tax Trad to Heirs No RC	Lifetime Tax With RC	After-Tax Roth to Heirs with RC	Total Net Present Value
No QCDs	<b>\$94K</b>	\$269K	\$175K	\$603K	<b>\$943K</b>
<b>\$10K QCDs/yr</b>	<b>\$69K</b>	\$272K	\$150K	\$595K	<b>\$969K</b>
Full RMD as QCDs	<b>\$0K</b>	\$279K	\$123K	\$603K	<b>\$993K</b>

# Break Analytics Output: Three Scenarios Compared

Charts generated directly from Break Analytics platform — showing lifetime tax impact, after-tax wealth, and heir outcomes.

## Scenario 1 — No QCDs

Susan's full RMD is taxable income every year. Without any planning, her lifetime tax bill reaches \$94K. If she adds Roth conversions, that rises to \$175K — and she'd see a negative IRMAA/SS impact of nearly \$20K. The conversion does, however, substantially improve the after-tax legacy her children would inherit.

PV Comparative Summary Balances, Taxes & Fees, Net Spending & QCD	No Conversion 2041	+ / -	Conversion 2041
Net Traditional IRA	269,233	(269,233)	0
Roth IRA	0	603,196	603,196
Savings	659,332	(299,543)	359,788
Taxes	94,887	81,065	175,952
Roth Conversion SS Taxes & IRMAA Fees Impact	0	(19,954)	(19,954)
Net Spending	0	0	0
QCD Activity	0	0	0
<b>NPV CV</b>	<b>928,564</b>	<b>14,466</b>	<b>943,031</b>

## Scenario 2 — \$10K QCDs/yr

Redirecting \$10K/yr as a QCD cuts Susan's lifetime tax bill by ~\$25K with zero change to her charitable giving — she simply funds her gift from her IRA instead of her personal checking account. If she layers in Roth conversions, she'd pay \$80K more in taxes and face a negative IRMAA/SS impact, but her children would inherit \$595K in a tax-free Roth IRA.

PV Comparative Summary Balances, Taxes & Fees, Net Spending & QCD	No Conversion 2041	+ / -	Conversion 2041
Net Traditional IRA	272,272	(272,272)	0
Roth IRA	0	595,934	595,934
Savings	574,271	(291,182)	283,089
Taxes	69,542	80,511	150,053
Roth Conversion SS Taxes & IRMAA Fees Impact	0	(23,160)	(23,160)
Net Spending	0	0	0
QCD Activity	113,797	0	113,797
<b>NPV CV</b>	<b>960,340</b>	<b>9,319</b>	<b>969,659</b>

## Scenario 3 — Full RMD as QCDs

Giving her full RMD as QCDs drops taxable distributions to \$0, delivering maximum tax efficiency for the charitably motivated client who doesn't rely on RMD income. If she also converts, her children would inherit \$603K in a Roth IRA — though she'd pay \$123K in taxes along the way and face a negative IRMAA/SS impact of \$31K.

PV Comparative Summary Balances, Taxes & Fees, Net Spending & QCD	No Conversion 2041	+ / -	Conversion 2041
Net Traditional IRA	279,004	(279,004)	0
Roth IRA	0	603,196	603,196
Savings	313,377	(121,236)	192,141
Taxes	0	123,874	123,874
Roth Conversion SS Taxes & IRMAA Fees Impact	0	(31,054)	(31,054)
Net Spending	0	0	0
QCD Activity	456,587	(227,652)	228,935
<b>NPV CV</b>	<b>1,048,967</b>	<b>(55,749)</b>	<b>993,219</b>

## Key Takeaways for Advisors

- A **\$10K annual QCD saves ~\$25K in lifetime taxes** compared to taking the full RMD as taxable income — and Susan's charity receives the exact same gift.
- QCDs satisfy part of Susan's RMD, directly reducing her AGI and lowering exposure to Social Security taxes and IRMAA surcharges.
- For the charitably motivated client who doesn't need RMD income, giving the **full RMD as QCDs eliminates federal income tax** on those distributions entirely.
- Layering in **Roth conversions** alongside QCDs creates a tax-free inheritance for Susan's children — at the cost of higher taxes and IRMAA impact today, but with a significantly stronger legacy tomorrow.

Model QCDs for your clients with Break Analytics

Break Analytics, IRA planning software, by Fin CW gives you the tools to run scenarios like this in minutes — turning complex IRA decisions into clear, confident client conversations.

**Request a personalized demo at [fincw.com](http://fincw.com)**