

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 Roth conversions 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
RC (No QCDs)	\$94K	\$269K	\$175K	\$603K	\$943K
RC + \$10K QCDs/yr	\$69K	\$272K	\$150K	\$595K	\$969K
3 yr RC + 10K QCDs/yr	\$69K	\$272K	\$178K	\$707K	\$987K

Break Analytics Output: Three Scenarios Compared

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

Scenario 1 — RC (No QCDs)

Susan's full RMD is taxable income every year. Without any planning, her lifetime tax bill reaches \$94K. If she adds in annual \$50K Roth conversions through 2041, 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
NPV CV	928,564	14,466	943,031

Scenario 2 — RC + \$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 annual \$50K Roth conversions through 2041, she'd pay \$80K more in taxes and face a negative IRMAA/SS impact, but her children would inherit \$595K in a 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
NPV CV	960,340	9,319	969,659

Scenario 3 — 3-yr RC + \$10K QCDs/yr

Converting \$650K over three years moves the majority of Susan's IRA into a Roth — while intentionally leaving enough in the Traditional to fund her \$10K QCD for life. That \$10K fully covers her RMD starting in 2029, so she never takes another dollar of taxable IRA income. Eliminating that ongoing RMD stream produces a positive \$7K lifetime SS/IRMAA impact — and at death, her children inherit \$100K more in a Roth IRA than scenario 2.

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	707,697	707,697
Savings	574,271	(406,631)	167,641
Taxes	69,542	109,316	178,858
Roth Conversion SS Taxes & IRMAA Fees Impact	0	7,415	7,415
Net Spending	0	0	0
QCD Activity	113,797	(9,360)	104,437
NPV CV	960,340	26,849	987,189

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 can satisfy part or all of Susan's RMD**, directly reducing her AGI and lowering exposure to Social Security taxes and IRMAA surcharges.
- For tax-sensitive clients, **\$10K QCDs paired with Roth conversions** deliver strong lifetime tax savings without a dramatic upfront tax hit.
- Front-loading **Roth conversions over 3 years** — while retaining QCD capacity — can eliminate future taxable RMDs and enhance legacy value by **~\$100K in tax-free assets** versus a life-expectancy conversion approach.

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