



The Wealth Compass

Navigating Your Financial Journey

May 2025



Understanding Qualified Charitable Distributions (QCDs) - Important Updates for 2025

As you think about charitable giving this year, consider a powerful tax-smart strategy: the Qualified Charitable Distribution (QCD). Available to IRA owners age 70½ or older, QCDs allow you to give directly from your traditional IRA to a qualified charity—potentially reducing your taxable income and satisfying part or all of your Required Minimum Distribution (RMD).

How QCDs Work

- You must be age 70½ or older.
- You can transfer up to \$108,000 per person in 2025.
- Funds must be sent directly from your traditional IRA to a qualified 501(c)(3) charity.
- QCDs can satisfy your RMD and reduce taxable income—especially useful if you don't itemize deductions.
- Each spouse may contribute up to the full limit from their own IRA.

Important Reminders

- Only from Traditional IRAs: QCDs cannot be made from 401(k)s or other workplace retirement plans.
- Timing Matters: Make your QCD before any other IRA withdrawals to ensure it counts toward your RMD and is excluded from taxable income.

To give away money is an easy matter... But to decide to whom to give it, and how large and when, and for what purpose and how, is neither in everyone's power nor an easy matter.

Aristotle

Key Considerations for 2025 QCDs (Traditional IRAs)



QCD Limit: Up to \$108,000 per person



From: Traditional IRAs only



Direct to Charity: Generally to 501(c)(3) organizations



Timing Matters: "First-dollars-out" rule can affect tax benefits



Post-70½ Contributions: Can impact tax-free status



Spousal Limits: Individual for each spouse's IRA

Special 2025 Opportunity: Planned Giving via QCD

A new rule for 2025 allows a one-time QCD to be directed to a charitable gift annuity, charitable remainder trust, or charitable remainder annuity trust—an exception to the usual rule requiring direct gifts to charity. Speak with your tax advisor to determine if this fits your philanthropic strategy.

Have You Made IRA Contributions After Age 70½?

If you made deductible contributions to your traditional IRA after turning 70½, the tax-free benefit of a QCD may be reduced until your total QCDs exceed those contributions. This rule does not apply to SEP or SIMPLE IRAs.

We're Here to Help

At NHTrust, we understand that effective charitable planning is personal. We can help:

- Coordinate QCD timing with your RMDs
- Work with your tax professional
- Help ensure custodians process the transfer correctly
- Align giving with your estate planning and values

Please don't hesitate to reach out to your NHTrust advisor to discuss your charitable giving plans and how we can assist you in making informed decisions that align with your financial well-being and philanthropic aspirations.

We are here to help you make the most of your financial opportunities in 2025!

Disclosures & Reminders

This newsletter is for general informational purposes only and is not tax, legal, or investment advice. Please consult your financial and tax professionals before taking action.

References

Ives, A. (2024, December 4). *QCD Timing*. IRA Help. Retrieved from <https://irahelp.com/slottreport/qcd-timing/>

Taylor, J. (2025, May 9). *Ask the Editor: Qualified Charitable Distributions (QCDs)*. Kiplinger. Retrieved from <https://www.kiplinger.com/taxes/tax-deductions/ask-the-editor-may-9-qcds>



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