



A CHARITABLE STRATEGY

**FOR THE TAX CHALLENGES
OF REQUIRED MINIMUM
DISTRIBUTIONS**





Individual Retirement Accounts (IRAs) can offer a tax-efficient way to save for retirement. However, once you reach age 73, or age 75 if you were born in 1960 or later, you face required minimum distributions (RMDs). These mandatory withdrawals can create tax issues for those who don't need the additional income. Not only are RMDs taxable, but they may also result in higher taxes on Social Security benefits and elevated Medicare premiums.

For those with philanthropic inclinations, there's a workaround: the Qualified Charitable Distribution (QCD). In 2026, if you're 70½ or older, you can transfer up to \$111,000 annually from your IRA directly to a qualifying charity.¹ This strategy meets the RMD requirements and could significantly help reduce your tax burden.

THE TAX PERKS OF QCDS FOR CHARITABLE GIVING

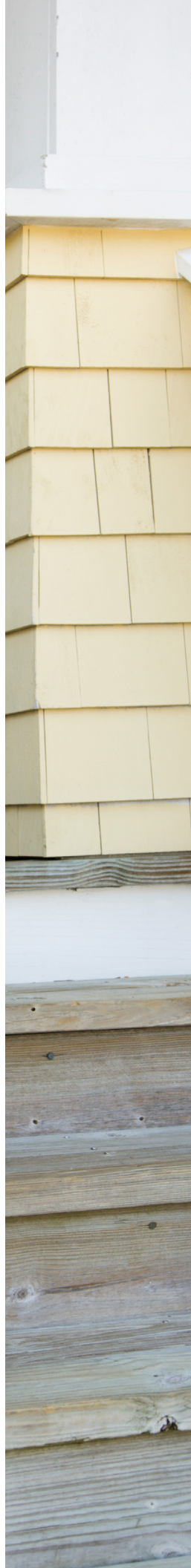
A Qualified Charitable Distribution (QCD) allows you to make a direct charitable gift from your IRA without increasing your taxable income — even if you don't itemize. With the increased standard deduction in 2026 — up to \$47,500 for a married couple over age 65 with an adjusted gross income under \$150,000 — many may opt not to itemize, making traditional charitable deductions less beneficial.² QCDs can bypass this issue by removing the donation from your income, eliminating the need to itemize to gain tax advantages. At the same time, you could be fulfilling the required minimum distribution (RMD) obligations imposed by IRA regulations.

AMPLIFYING IMPACT WITH QCDS AND LIFE INSURANCE

One transformative way to amplify the impact of your philanthropy would be by using your QCD to pay the premiums on a life insurance policy that is owned by the charity.

Imagine potentially turning pennies into dollars: that's essentially what you would be doing when you use a QCD to fund a life insurance policy. The premiums, representing the "pennies," could be relatively small periodic contributions made by your QCD. However, these ultimately could yield a far larger death benefit or "dollar amount," potentially creating a substantial, guaranteed future gift for the charity. This could not only magnify your charitable giving but also helps to ensure a lasting legacy.

A charity would be under no legal obligation to use QCD money to buy insurance on a donor's life. However, if the charity decides to do so, the purchase could leverage the donor's otherwise obligatory RMDs into a more meaningful and impactful financial boon, all while satisfying the RMD regulations set by IRS rules.





STEP-BY-STEP GUIDE TO QCDS AND LIFE INSURANCE

To help realize the potential of combining QCDS with life insurance for potentially greater charitable impact, the following steps outline the implementation process.

STEP 1:

APPLY FOR LIFE INSURANCE TO HELP BENEFIT THE CHARITY

There are two ways this can happen. First, the charity can apply for insurance on the life of the donor. In this case, the charity would need to provide the life insurance company with evidence of the donor's history of charitable giving to the charity.

In the event such a history cannot be documented, then the donor can apply for life insurance on him- or herself and eventually donate the policy to the charity. If the donor is purchasing the life insurance policy prior to the date he or she must begin taking RMDs, a term policy could be purchased in order to keep the premium costs to a minimum. The donor would maintain the policy, and cover the premiums, until RMDs kick in. At that point, the policy can be converted to a permanent policy and then gifted to the charity.

STEP 2:

USE QCDS FOR PREMIUM PAYMENTS

Once the policy is in the possession of the charity, the donor can use the QCD as a gift to the charity to cover ongoing premiums for the life insurance policy. Importantly, to qualify for this arrangement, the life insurance policy's benefits must solely go to the charity. No ancillary benefits can be directed to the donor, family members or associates.

STEP 3:

CHARITY PAYS THE PREMIUMS

The charity can use the QCD donations to pay the premiums, thus maintaining the life insurance policy.

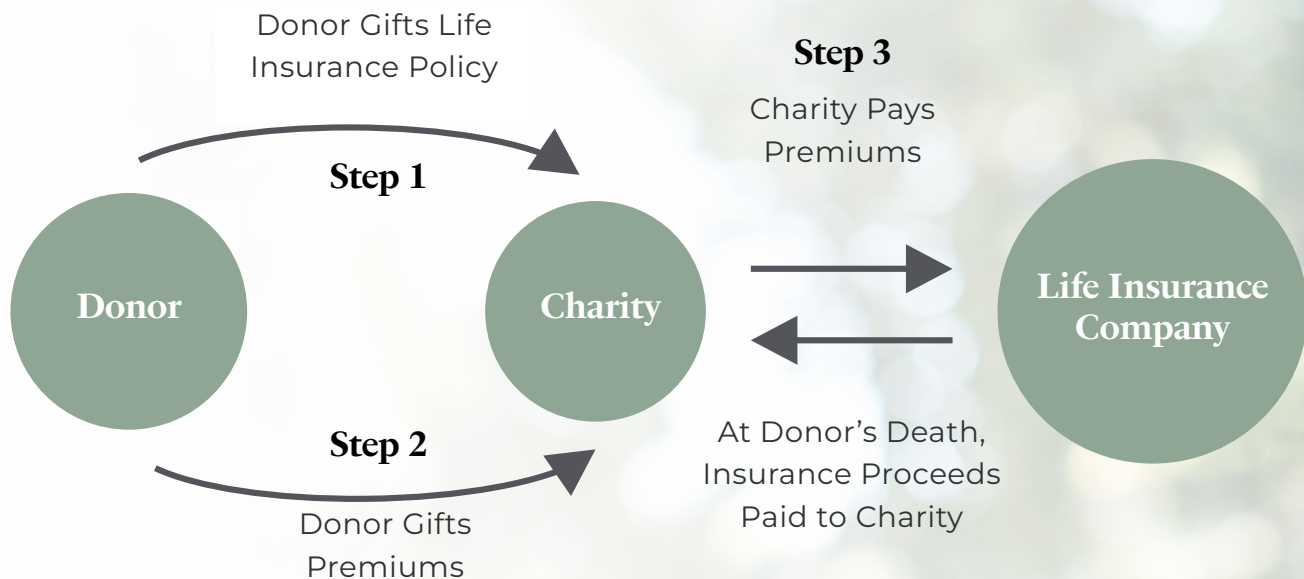
UPON THE DONOR'S DEATH

At the time of the donor's death, the life insurance proceeds would be paid directly to the charity.

ADDITIONAL BENEFIT TO THE CHARITY

Ideally, only a portion of the QCD from the donor would be needed to cover the ongoing premiums for the life insurance policy, leaving the remainder of the QCD for use by the charity in a manner it would determine. This tends to make this type of gift, with its ongoing administration, more attractive to the charity.

It's also worth noting that the life insurance policy, now an asset on the charity's balance sheet, can be borrowed against, providing additional financial flexibility for the charity prior to the donor's death.



¹ Ed Zollars. *Current Federal Tax Developments*. Nov. 13, 2025. "Annual Adjustments to Retirement Plan Limitations: Analysis of Notice 2025-67 for 2026." <https://www.currentfederaltaxdevelopments.com/blog/2025/11/13/annual-adjustments-to-retirement-plan-limitations-analysis-of-notice-2025-67-for-2026>. Accessed Nov. 19, 2025.

² Kelly R. Taylor. *Kiplinger Personal Finance*. Oct. 17, 2025. "IRS Updates 2026 Tax Deduction for People Age 65 and Older." <https://www.kiplinger.com/taxes/new-tax-deduction-change-over-65#:~:text=Over%2065%20additional%20standard%20deduction,in%20their%20additional%20standard%20deduction>. Accessed Oct. 21, 2025.





MASSEY

AND ASSOCIATES, INC.

Retirement Wealth Advisors

250F Centerville Road

Warwick, RI 02886

401-333-8000

info@MasseyAndAssociates.com

MasseyAndAssociates.com

Investment advisory products and services made available through AE Wealth Management, LLC (AEWM), a Registered Investment Adviser.

This content is for informational purposes only and is not intended to serve as the basis for financial decisions. Individuals should consult with a qualified professional for guidance before making any purchasing decisions.

This document does not constitute an offer, an invitation or recommendation to enter into any transaction or strategy. Any tax and legal information in this whitepaper are merely a summary of our understanding and interpretation of some of the current laws and regulations and is not exhaustive. It is strongly encouraged that individuals consult with their tax & legal advisors, to provide advice and information on the tax and legal components of advanced tax-efficiency strategies in coordination and collaboration (with proper verbal or written authorization) with your financial advisor before pursuing these strategies concerning your particular situation. Neither the firm, its agents or representatives of Advisors Excel (AE) or AE Wealth Management, LLC (AEWM) provide or offer tax or legal advice.

11/25-4940187