

How to Show QCDs in SIPS to Maximize Charitable Giving

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In this video, you will see how to use the Advanced Tax Calculation features in SIPS to model Qualified Charitable Distributions (QCDs). QCDs are a powerful tool for clients looking to make charitable donations while reducing their taxable income.

Video Highlights:

- Introduction to QCDs: Charitable donations from IRAs that reduce the taxable portion of IRA distributions.
- Eligibility: Clients aged 70 ½ and older can make QCDs up to \$100,000 per year (or \$200,000 for couples).
- Step-by-step modeling of QCDs using the SIPS Advanced Demo client scenario “8. QCDs”.
- Detailed walkthrough of adding income adjustments and creating tax scenarios to illustrate the tax impact of QCDs.
- Real-time demonstration of the tax benefits on the 1040 tax form.

Benefits of QCDs:

- Reduce Taxable Income: Exclude the donated amount from taxable income.
- Fulfill Charitable Goals: Support favorite charities in a tax-efficient way.
- Optimize RMDs: Meet distribution requirements while benefiting a good cause.

By the end of this video, you'll understand how to leverage QCDs for tax-efficient charitable giving and how SIPS can simplify the planning process.

For more planning resources and tutorial videos, visit www.sipsplanning.com. For more information about our outsourced financial planning services, visit www.planscout.com. If you feel you need more support or would like to set up demo time with one of our representatives, please contact us at: support@planscout.com.

Transcript:

0:04: Hi I'm John Michael Lust VP of Operations at PlanScout today I'll be showing you how to use the Advanced Tax calculation features and SIPS to model qualified

0:12: charitable distributions QCDs are a great tool for clients who want to make charitable donations and reduce their taxable income so let's get

0:21: started qualified charitable distributions are charitable donations that a client makes from their

0:28: IRAs um the difference between a Schedule A deduction and a qualified charitable distribution is that a QCD

0:34: will directly reduce their um taxable income by the amount of the QCD uh you

0:42: can begin making QCDs Once you turn 70 and a half and you're allowed to make up

0:49: to \$100,000 of QCDs per year um that's per individual so a couple could make up to \$200,000 per year um and these do

0:57: have to come from a qualified account such as an IRA uh you cannot make a QCD from a non-qualified account or a

1:06: tax-free account like ROTH IRA so in this example here we've got a client they want to start making QCDs

1:14: once they turn 71 um so what we'll do is we will add an

1:21: income here we're going to call this QCDs and our first year income uh uh

1:30: this is going to be minus \$25,000 um let's say that that's the amount that they want to donate each

1:36: year um now we could instead put our minus \$25,000 here and you know start it in the correct year on the income

1:45: adjustments column but let's say we don't know exactly what year they turn 71 we forgot to check that we can come down here and we can check this box that

1:53: says delay the income until start age we'll check that box we'll make sure client one is checked and we'll enter

2:00: 71 now we'll click save and we can see that this uh income starts here in year seven it's going to continue for the

2:08: rest of the plan now um in year 11 once their RMDs begin we can just you know assume that these

2:16: RMDs are going to go towards the QCDs but for these first four years here year 7 through 10 we actually need to do some manual fixed withdrawals from the IRA

2:25: because again we cannot satisfy the QCD from an non-qualified account that has to come from an

2:33: IRA so we're going to come into the IRA we're going to put in a \$25,000 fixed withdrawal for these four years

2:41: we'll click save and now we've got our QCD now right now this just looks like IRA income you can see it's actually

2:50: increasing our taxes over here so we need to go into our approximate income tax column and put in our tax

2:57: adjustments so a QCD is going to get entered in the income adjustments column you're going to put in the value of the

3:04: QCD as a positive number um the way to think about this is these income adjustments if you're imagining on a

3:11: 1040 uh the income adjustments are written on the 1040 as a positive number and then they are subtracted from the taxable income so that's how we put it

3:20: in here uh we can click roll down and it will apply that for the following

3:28: years now we can see if we click save we go back to our plan when we start these QCDs we do see some reductions in our

3:36: taxes and uh we could again also go back we can create a tax scenario we'll do this for year seven when we begin the

3:45: QCDs and we can see that uh other adjustment to income is reflected here uh this is the the QCD now if we took this

3:53: out we click to calculate and we can see we've got the um tax income at 97 \$1,000

4:00: if we put this back in we can see that that is being reduced to about

4:08: \$62,000 getting us our approximate income taxes at the

4:15: bottom and we're done with Advanced Tax planning we can easily model qualified charitable distributions and automatically calculate their impact on

4:23: the plan these features and more are available in our SIPS Advanced subscription plans uh for more planning resources and to tutorial videos please

4:30: visit www.sipsplanning.com For more information about our outsourced financial planning services please visit www.planscout.com Thank you very much and have a great day
