



Tax Savvy Giving: Gifting Appreciated Securities

Impact is everything when it comes to charitable giving. The impact it has on the recipient. And the impact it has on you. Both can, and should, be positive.

One way to “supercharge” your generosity is to donate shares of appreciated securities. Doing so is an effective way to support the causes you care about and, at the same time, save on taxes. Think of it as a win-win scenario: when you give appreciated securities to a charity, you can deduct the market value of the stock at the time of the donation, and the charitable organization is allowed to sell the stock without paying capital gain taxes.

To get a bit more specific: First, you will only benefit if you give shares that have an accrued long-term capital gain. You will, of course, still get a charitable deduction for the value of the shares, but it would be no different than donating cash. Second, you should only donate securities that you were otherwise going to sell. The tax (up to 20%) on capital gains only applies when you sell your investment.

To get far more specific: By itemizing, you can deduct charitable contributions up to 30% of your income if you donate appreciated assets. You may carry over the remaining deduction to offset future income if your charitable contribution is larger than that percentage. If you feel uncomfortable giving a “larger-than-normal” amount of money to charity in one year, consider setting up a donor-advised escrow fund, which allows you to receive the tax deduction of the gift in a single year while retaining the option to spread the distributions to charities over an extended period.

How it works in the real world: Assume you make a gift of \$5,000, while at the same time you are planning to dispose of the shares of a publicly traded company that you’ve held for several years. The shares, currently worth \$5,000, were purchased several years ago for \$1,000. The difference between the fair market value purchase price is an accrued capital gain of \$4,000. Comparing the cost of the donation to you, assume first that you sell the shares and donate \$5,000 in cash; and second that you donate the shares directly to the charity.

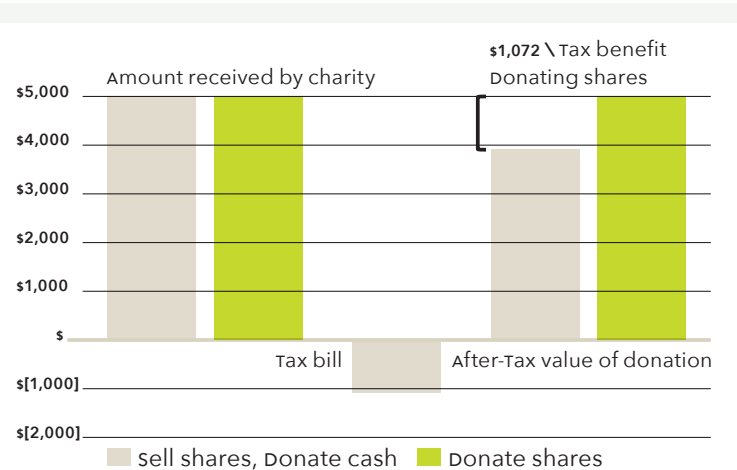


“I am thankful to be a part of helping families by helping women. I am also thankful to be able to let God work through me and demonstrate to Him where my heart is.”

– Linda Byars



As you can see in the chart: Based on the \$5,000 gift, by gifting your shares directly to your favorite charity rather than selling the shares you will have saved \$800 in tax on your capital gains.



That’s good for the charity.
And it’s good for you.

