

DONATING APPRECIATED STOCK TO CHARITY

The Ultimate Win-Win

When making gifts to your favorite charitable organization, it may make great sense to give appreciated stock, rather than cash. "What difference does it make," you ask. Just how much difference it can make may surprise you!

Consider this: cash gifts to tax-exempt charities are deductible up to 50% of AGI, which significantly lowers the net cost for the donor. Take a look at how it works:

Phil and Belinda Kaytes donate \$10,000 to the local, tax-exempt literacy program. They are in the 35% tax bracket and mail a check.

\$10,000 Cash Donation
<u>3,500</u> Tax savings for charitable contribution
<u>\$ 6,500</u> After-tax cost of gift

Pretty nice!

But consider what Belinda's brother, Shaundre MaGassi did: He gave \$10,000 to a tennis camp which hosts at-youth risk. However, he gave \$10,000 of appreciated stock which he held for more than one year. He earned the same deduction Phil and Belinda earned, but he also got a second tax benefit, which lowered his after-tax cost even farther. Look how this worked for Shaundre, who is also in the 35% bracket:

\$10,000 Fair-market value of Appreciated Stock
3,500 Tax savings for charitable contribution
<u>\$ 6,500</u> After-tax cost of gift

So far it looks the same, but here comes the bonus:

Shaundre had a cost basis of only \$2,000 for the stock. By using it to make his gift, he will not have to pay long-term capital gains tax on the appreciated stock to access its value. By not selling the stock, he avoids the following long-term capital gains tax:

\$8,000 Unrealized Taxable Gain
x <u>0.15</u> (15% capital gains tax rate for Shaundre)
<u>\$1,200</u> Additional tax saved by gifting appreciated stock

Total tax savings: \$3,500 for charitable contribution
Plus 1,200 avoided federal capital gains tax
Plus _____ additional savings of state capital gains tax, if applicable
<u>\$4,700</u> Tax Benefit

Bottom line for gifting appreciated stock:
\$10,000 gift to charity
Less <u>4,700</u> Tax benefits
Results in <u>\$ 5,300</u> After-tax cost of gift

Both organizations received the same value, all donors had the same pleasure of gifting, but Shaundre came out \$1,200 ahead! This is a gifting strategy that you can employ* when supporting your own favorite charities. You can have the pleasure of helping the causes which are dear to your heart, and have a little more in your wallet while you do it! It truly is a win-win situation!

**Always check with your accountant to be sure strategies are appropriate for your own situation.*

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