

## Charitable Donations with Stocks

### Strategies

Consider a gift of APPRECIATED securities whenever you prefer not to incur capital gains tax, instead of cash, such as the following circumstances:

- When a takeover is imminent, rather than tendering the securities, donate them to a charitable organization. The charity does not incur capital gains tax when it tenders the security.
- When you wish to upgrade your portfolio, donate appreciated, low dividend stock. Use your cash to purchase stocks, which pay higher dividends.
- When you wish to increase your total cost basis in a stock you intend to hold, give your low basis securities to charity. Use your cash to purchase more of the same stock at current market prices and thereby increase your total cost basis without incurring any capital gains tax.
- When a security has DEPRECIATED, it is best to sell the security and donate the proceeds so that you can take advantage of the loss. Charitable organizations are unable to recognize the loss if the property is donated.

### Example

Client purchased a publicly trade stock 10 years ago for \$7,000, which is now worth \$10,000.

Assuming a 25% income tax bracket, the tax savings equals \$2,00. ( $\$10,000 \times 25\% = \$2,000$ )

If the same client chose to sell the securities and gift \$10,000 case, the tax deduction equals \$2,050.

Proceeds received from sale	\$10,000
Cost basis of shares sold	<u>(\$7,000)</u>
Long-term capital gain on sale	\$3,000
Tax on long-term capital gain (15%)	\$450
Tax savings of giving \$10,000	\$2,500
Less: Tax on long-term capital gain	<u>(\$450)</u>
Net tax savings of selling security and gifting cash	\$2,050

By donating the stock as opposed to selling the stock and giving cash, the client avoids paying capital gains tax and had an additional tax savings of \$450.