

OPTIONS FOR GIFTING APPRECIATED ASSETS



In 2009, an investor purchased \$10,000 worth of XYZ stock in his brokerage account. After holding the stock for 9 years, he is thrilled to see his investment grow to \$100,000. With the market at an all-time high, he feels it's time to sell the stock and take the profit, but is concerned about the tax liability on the sale and doesn't have an immediate need for the funds. The investor's financial advisor knows that he is charitably inclined and proposed the idea of gifting the stock. He likes the idea, and together they review the options below:

XYZ STOCK			
Purchase Price in 2009	\$10	Total Value in 2018	\$10,000
Price at Time of Gift	\$100	Total Value at Time of Gift	\$100,000
		Total Unrealized Gain	\$90,000

GIFTING OPTIONS:

STRATEGY	PROS	CONS
SELL & GIFT	<ul style="list-style-type: none"> • Simplicity, can make the donation all at once or over time • Higher potential of tax deductibility (60% of adjusted gross income, AGI, on cash donations) 	<ul style="list-style-type: none"> • Tax must be paid on gains • Multiple receipts required • High standard deduction hurdle rate
GIFT DIRECTLY	<ul style="list-style-type: none"> • Immediate tax deduction (30% of AGI on long term securities) 	<ul style="list-style-type: none"> • All funds donated in a single year • Administration burden if you give funds to multiple charities • Irrevocable donation
DONOR-ADVISED FUNDS	<ul style="list-style-type: none"> • Immediate tax deduction (30% of AGI on long term securities) • Different types of assets can be contributed • Investment grows tax-free • Option to give grants over multiple years 	<ul style="list-style-type: none"> • Administration • Minimum account openings • Irrevocable donation

	SELL & GIFT	GIFT DIRECTLY	DONOR-ADVISED FUND
Total Value of Appreciated Stock	\$100,000	\$100,000	\$100,000
Tax on Sale of Asset ¹	\$13,500	\$0	\$0
Amount Donated to Charity	\$86,500	\$100,000	\$100,000
Income Tax Savings (on charitable contribution) ²	\$27,680	\$32,000	\$32,000
Total Tax Savings ³	\$14,180	\$32,000	\$32,000

CONCLUSION: Gifting appreciated assets to charity could save you 225% or more in taxes in the year the gift.

¹ Assumes the \$90,000 capital gain is taxed at 15%

² Assumes AGI is above the 60% limit for cash donations and above the 30% limit for long term securities. Assumes a 32% federal tax bracket, and itemized deductions exceed the standard deduction before the gift. Potential state and local taxes are not factored in.

³ Calculation: Income Tax Savings less Tax on Sale of Asset