Completing your gift of securities

Making year-end gifts of appreciated securities isn't complicated. You can instruct your financial services provider to transfer the securities (including mutual funds) electronically. This is the most convenient way to make a gift.

On the other hand, if you hold stock certificates, mail the unendorsed certificate and a signed stock power (available from your financial services provider) in separate envelopes to the charitable recipient. The gift is complete on the postmark date of the later envelope. Year-end gifts must be postmarked by Dec. 31 to qualify for 2024 tax savings.

We will be pleased to provide you or your advisors with any information that may be needed to complete the transfer.

An important estate planning detail

Charities may sometimes share the same or very similar names, and they may possibly be in the same city or state. When including a charity in your estate plan, it is important to correctly identify the intended recipient. We are happy to provide our correct legal name, our street address, tax ID and any other information you or your advisors may require.

Giving while retaining income

There are also a number of ways you can make year-end gifts while receiving fixed or variable income for life or other period of time you choose.

Through such options, appreciated securities can be sold and reinvested free of capital gains tax, which may produce greater earnings than might otherwise be achieved.

Here are some advantages:

- The payments may be taxed at lower rates than other ordinary income.
- An income tax deduction is also allowed in the year of the transfer for the value of the charitable gift.
- Assets given in this way are generally removed from your state and/or federal taxable estate, perhaps resulting in additional tax savings for your heirs.
- You make a wonderful charitable gift.

Want to calculate your tax savings for a gift of appreciated assets?

SCAN HERE

Understanding terminology

Basis: Generally, the basis of an asset is the price you paid for it—its cost. Special rules apply if you inherited or were given the asset.

Gain or loss: Although stock or other assets may fluctuate widely in value, there is no taxable gain or loss until the stock is sold. At the time of the sale, the difference between your basis and the sales price is either a gain subject to income tax or a loss recognized for tax purposes.

Long-term capital gain: The gain that results from the sale of stock or other capital assets held for more than 12 months prior to sale is a long-term capital gain. The lower capital gains tax rates for investments held more than 12 months do not apply to gains on the sale of commercial buildings (a 25% rate may apply) or to artwork, antiques or other collectibles, which are taxed at a top rate of 28%.

Short-term capital gain: If stock or some other capital asset is held one year or less from the date it was acquired until it was sold, the gain is a short-term capital gain.

Giving other noncash assets

Other property that has increased in value—such as art, jewelry, antiques, cryptocurrency or real estate—can make an excellent gift. The type of property, its value and the way it will be used determine whether or not a gift of such assets is tax-deductible (and the amount of the deduction you may claim).

More information

As you are considering the best way to make your year-end gifts, securities offer a number of advantages. We will be pleased to provide further information upon request. Simply contact us.

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The BENEFITS of GIVING SECURITIES

at Year-End

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Making your year-end gifts with stocks, bonds, mutual funds and certain other securities that you have owned longer than a year and that are worth more than they cost can yield income tax savings and allow you to bypass capital gains tax.

These gifts are deductible and can eliminate tax on up to 30% of your adjusted gross income (AGI) in the year of the gift. Unused deductions may help reduce taxes in as many as five future tax years.

Changing market values

If you own securities that have increased in value, there are three possibilities for the future:

- The value of the securities may grow.
- The value of the securities may stay the same.
- The value of the securities may decline.

While no one knows what the future holds, each possibility indicates a course of action for those who are considering making charitable gifts.

Sell or donate?

If you own securities that have increased in value and you are thinking about selling them, you might want to use these assets to fund your year-end gifts instead.

Example: Barbara paid $2,500 for 100 shares in ABC Corporation several years ago. The shares have been worth as much as $12,000. Today, they are worth $10,000 and yield a dividend of 1%.

Since Barbara plans to make a year-end gift of $10,000 (she normally makes her gifts in the form of cash), let's take a look at three options:

	Option A Give $10,000 in cash	Option B Sell securities and give cash	Option C Give securities outright
Gift value	$10,000	$10,000	$10,000
Ordinary income tax savings	$3,700	$3,700	$3,700
Capital gains and MCT tax saved or paid*	N/A	$1,785 paid	$1,785 saved
Total tax savings	$3,700	$1,915	$5,485

**Total of 20% capital gains tax and 3.8% Medicare contribution tax.*

In Barbara's income tax bracket, the least desirable alternative would be to sell the securities and give the proceeds, as the payment of the capital gains tax on the amount of the gain would reduce her net tax savings.

By giving ABC shares, she would not owe capital gains tax on the increased value. Her combined income tax, capital gains tax and Medicare contribution tax savings would be nearly twice the savings than if she sold the securities and gave the cash. She may enjoy additional state income and capital gains tax savings as well.

By making a year-end gift of securities, Barbara preserves her cash, generates current income tax savings, doesn't owe capital gain and other taxes that would be due, all while making a significant charitable gift.

What and when to give?

Because of the ways capital gain taxes are determined—including length of time held and other factors—it is important to select the right asset. The best choice will normally be securities owned for more than one year that would be subject to the most tax if sold (i.e., the asset with the largest appreciation).

Balancing capital gain through gifts

What if you believe a security you own is less likely to grow in value or may decline in value in the future? A way to make a significant gift in these circumstances is through a balanced sale; i.e., you make a gift of part of your investment while selling the remainder.

Example: Jim would like to make a a year-end gift of $5,000. He owns securities worth $25,000 that he paid $16,000 for 10 years ago. He would like to sell the shares but does not want to pay capital gains tax on the $9,000 gain.

If Jim sold all of the securities, he would net $22,850 after paying $2,150 in taxes. Through a balanced sale, he sells shares worth $20,000 and gives shares worth $5,000, with the following tax consequences:*

	Give $5,000 in securities	Sell $20,000 in securities
Gift value	$5,000	-0-
Income and other tax savings	$1,850	-0-
Combined tax liability	-0-	$1,714
Difference	-0-	$136

Note that Jim's tax savings from his gift more than offsets the capital gains tax on the shares that were sold, and he has the satisfaction of making a $5,000 gift.

**Assuming maximum income, capital gains and 3.8% Medicare contribution tax.*

Give a security and "keep" it

If you are reluctant to give a particular stock or mutual fund that has performed well and you believe it is likely to continue increasing in value, there is a way to make a charitable gift while, in effect, keeping it.

For example, you make a $10,000 tax-deductible gift using a security you paid $5,000 for, thereby bypassing taxes on the $5,000 profit. You could then use $10,000 in cash to repurchase the same security. You will then own the same investment with a new, higher cost basis.

If the security declines in value in the future, you may benefit from a capital loss in the security rather than simply realizing less gain. If the security grows in value, you will owe tax only on future sale proceeds in excess of your cost basis.

When securities have declined in value

If you own securities worth less than their original cost, it is usually better to sell them and make a charitable gift using the cash proceeds. You may then be able to claim tax benefits for both the capital loss and the charitable gift and effectively deduct more than the current value of the securities.