



Questions & Answers About Giving Securities

Fund Your Gifts With Securities

FOR MANY PEOPLE, investments in securities represent a significant portion of their assets. Stocks and other investments are often an important part of one's long-term plans, providing a nest egg to rely on in the future.

Did you know that your investments can also be an excellent source for charitable gifts? Stocks, bonds, mutual funds, and other securities that you have owned for more than one year not only make convenient gifts, but can provide you with welcome tax benefits as well.

The following are some commonly asked questions and answers about giving securities. By reading them, you may discover how stocks and other investment assets can help you make a significant charitable gift at less cost than a comparable gift of cash.

Answers to Frequently Asked Questions

Q. Why should I consider using securities to fund my gift?

A. While cash is the most popular form of charitable gift, gifts of non-cash assets such as publicly traded stocks or bonds can be attractive because of the favorable income tax treatment they may bring.

If you own securities that have appreciated in value over time, you may owe a substantial capital gains tax if you sell them. But, if you use such assets to fund a charitable gift, you may completely avoid the capital gains tax while enjoying a federal income tax deduction for the full value of the securities. Giving securities helps conserve cash for other uses. You also may be able to make larger gifts than you thought possible.

Q. Which security should I give?

A. For maximum tax benefits, it is usually best to give securities that have increased in value the most since you have owned them. Or you may wish to give a particular security as part of efforts to simplify your portfolio.

Q. What if the securities have dropped in value?

A. To give securities that are worth less than their purchase price, it is usually best to sell the asset, then give the cash proceeds. You may then be able to claim tax benefits for both the capital loss and the charitable gift.

Q. Is it possible to give mutual funds?

A. Yes, mutual funds make welcome gifts. Contact us or your financial advisor for more information.

Q. How do I go about making a gift of securities?

A. If you own the securities outright and have the certificates in your possession, send the charitable recipient a signed stock power and the unendorsed stock certificate in separate envelopes. The stock power form is available from your financial services provider. Your gift is considered to be complete on the date of the later postmark if the envelopes are not postmarked on the same day.

In the case of mutual funds or securities for which you do not hold a certificate, ask us or your financial advisor about the most efficient ways to complete your gift. For tax purposes, the gift is complete at the time of the actual transfer. It's a good idea to allow extra time for the completion of all gifts of securities.

Q. What if I want to make a gift, but am reluctant to give a stock that is increasing in value?

A. There is a way to give stock and, in effect, “keep” it. Consider giving the stock and replacing it by repurchasing the same security with cash you otherwise would have given.

You will then own the same stock with a new, higher cost basis. When you sell the stock, you will owe less tax because you have given away earlier increases. If the stock declines, you may then be able to benefit from a deductible loss.

Q. Is there a way I can give a portion of my securities and sell the rest?

A. Yes. If you own securities that have greatly increased in value that you feel have reached their peak, consider what is known as a *balanced sale*.

Under this plan, you make a gift of a part of your investment while selling the remainder. Your advisors can help you do this so that you will enjoy income and capital gains tax savings that will offset tax due on the securities you sold.

Q. My securities have grown in value, but produce small dividends. Is there a way to fund a charitable gift with these assets and receive income in return?

A. There are a number of popular options that allow you to make charitable gifts, enjoy tax savings, and also increase your spendable income. The income may be fixed or variable, and it can be paid for one or more persons' lifetime or another period of time you choose (up to 20 years).

An income tax deduction is allowed in the year of the transfer for the gift value. You avoid or delay capital gains tax. The donated asset is generally removed from your taxable estate, perhaps resulting in additional tax savings for your heirs.

Conclusion

By giving securities, you can maximize the size of your charitable gifts, conserve cash you would have given, and enjoy multiple tax benefits.

We will be happy to assist you and/or your advisors with gifts of securities. Please contact us for additional, confidential information at no obligation.