

OPTIONS FOR GIFTING APPRECIATED



In 2013, an investor purchased 1,000 shares of XYZ stock at \$10/share. After holding the stock for 10 years, he is thrilled to see that XYZ is now trading at \$100/share. With XYZ 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			
Share Price in 2023	\$100	Fair Market Value	\$100,000
Share Price in 2013	\$10	Cost Basis	\$100,000
		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	\$16,920	\$0	\$0
Amount Donated to Charity	\$83,080	\$100,000	\$100,000
Income Tax Savings (on charitable contribution) ²	\$26,586	\$32,000	\$32,000
Total Tax Savings ³	\$9,666	\$32,000	\$32,000

CONCLUSION: Gifting appreciated assets directly to charity or via Donor-Advised Fund could increase your tax savings by 3x or more and result in a greater amount donated to charity.

¹ Assumes the \$90,000 unrealized gain taxed at 15% long-term capital gains rate and 3.8% net investment income tax

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 Ordinary Income Tax Savings less Long-Term Capital Gains Tax. The gifting concepts are provided as education and should not be considered tax advice, your tax professional should be consulted prior to implementing any gifting strategy designed to accomplish a tax saving goal.