

Giving Securities

Fund Your Gifts With Securities

For many people, investments in securities represent a significant portion of their assets. Stocks and other investments can be an important part of one's long-term plans, helping to provide a nest egg to rely on in the future.

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

The following are 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 giving the same amount 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 noncash assets such as publicly traded stocks or bonds can be attractive because of the additional income tax benefits 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. If you instead decide to use such assets to fund a charitable gift, you may not owe the capital gains tax that would be due on a sale while you may enjoy the benefit of a federal income tax deduction for the full value of the securities. Giving securities also helps conserve cash for other uses. Giving in this way may enable you to make larger gifts than you otherwise thought possible.

Q. Which security should I give?

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

Q. What if the securities have decreased in value?

A. In the case of securities that are worth less than their purchase price, it is usually best to sell them and 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 and can result in the same tax benefits as individually held securities. Contact us or your financial advisor for more information.

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

A. In the case of mutual funds or securities held in a brokerage account, ask us and 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. If you own the securities you wish to donate 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.

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 may owe less tax because you have given away earlier increases. If the stock declines, you may find you are 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 portion of the securities while selling the remainder. Your advisors can help make your gift in a way that capital gains tax savings due to your gift 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 more spendable income in return?

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

An income tax deduction may be allowed in the year of the transfer for the estimated gift value. Such gifts may also allow you to bypass 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 amount of your charitable gifts, conserve cash you would have otherwise 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.

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