

WHAT ABOUT GIVING SECURITIES?

Investing in stocks, bonds and other securities over time can be an essential part of building a solid financial future. These assets can also be a wise choice when making charitable gifts. Securities owned for more than one year may be a good source for providing charitable support because they can offer tax benefits.

Answers to frequently asked questions

Q. What are the advantages of using securities to make my charitable gifts?

A. Giving noncash assets can result in especially favorable tax treatment. If you have owned securities for more than one year that have appreciated in value, you may owe a substantial capital gains tax if you sell them. By making a gift of these assets, you will avoid capital gains tax while creating a federal income tax deduction for the full value of the securities.

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 a means of balancing or simplifying your portfolio.

Q. How do I make a gift of securities?

A. It depends on whether the securities are held in a brokerage account or if you have personal possession of them. For tax purposes, the gift is complete at the time of the actual transfer. Ask us or your financial advisor about the best way to complete your gift. Please allow sufficient time, particularly at year-end.

Q. What if my securities have dropped in value?

A. It is usually best to sell them and then make a gift of the cash proceeds. For itemizers, 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. Contact us or your financial advisor for more information.

Q. What if I want to make a gift but am reluctant to give a stock rising in value?

A. Consider giving the stock now and then repurchasing additional shares. By doing so, you can both give stock and, in effect, “keep” it. You will then own the same stock with a new, higher cost basis. If you sell it in the future, 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. A balanced sale may be a good option for greatly appreciated securities that you believe may have reached their peak. Using this approach, you make a gift of a part of your investment while selling the remainder. By doing so, the tax savings from your gift can offset the tax on the sold securities. Your advisors can help you do this in a way that will result in maximum capital gains and income tax savings.

Q. My securities have grown in value but yield small dividends. Is there a way to give them and receive income in return?

A. Yes. A number of popular options allow you to make charitable gifts, enjoy tax savings and also increase your spendable income. The income you receive can be fixed or variable, and it can be paid for one or more person’s lifetime or another period of time. An income tax deduction is allowed in the year of the transfer for the gift value. You also bypass or delay capital gains tax. The donated asset is generally removed from your taxable estate and may lead to additional tax savings for your heirs.

Learn more

By giving securities, you can maximize the size of your charitable gifts, conserve cash for other purposes and possibly enjoy multiple tax benefits. We will be happy to assist you and your advisors. Please contact us for additional information at no obligation.