



## Donating Appreciated Stock to Charity

"It's better to give than to receive."

For many of us, the holiday season is an ideal time to prioritize giving. It can be a wonderful feeling to spend money on others and donate to favorite charities or nonprofit organizations.

If you are feeling charitably inclined and have assets in a non-retirement account, it's possible to both give and receive at the same time. Opting to donate appreciated securities from those accounts can be an efficient, mutually beneficial way to give to a charity or a non-profit organization.

### Benefits of Securities Donation

The longest bull market in US history has helped to create unrealized capital gains in many investors' accounts. Selling some of these appreciated holdings is often advisable to rebalance your portfolio and keep it in line with your goals and risk tolerance. When these investments are sold, however, the account owner realizes capital gains which can generate capital gains taxes of up to 23.8% (depending on your tax bracket).

When you donate appreciated securities directly to a charity instead of selling them, you avoid paying that capital gains tax. The market value of your gift of appreciated securities is considered an itemized deduction (Schedule A), up to 30% of your Adjusted Gross Income.

For investors who do not itemize their deductions, they don't get a tax deduction for cash donations but would still get a tax benefit from donating appreciated securities because of the avoided capital gains tax. Because the donated security was never sold, no capital gains tax is owed on the appreciation. The charity or non-profit you are donating to doesn't pay capital gains taxes on that appreciation either.

Not owing capital gains taxes on the appreciation of your holdings is just one of the many benefits of gifting appreciated stock to charity. By donating appreciated securities directly to the charity or organization of your choosing, you are promoting the causes most important to you and likely increasing your effective net tax benefit. Additionally, the cash you would have donated can instead be deposited into your investment account to replace the donation, and then invested for diversification.

## How Donating \$100,000 in Appreciated Stock Can Benefit You

Take a look at the chart below to compare the tax savings of donating appreciated securities directly vs. donating cash vs. selling securities and donating cash.

	Donate Appreciated Securities Directly	Donate \$100,000 Cash	Sell Securities and Donate Cash
Value of Donation	\$100,000	\$100,000	\$100,000
Ordinary Income Tax Savings	\$3,500	\$3,500	\$3,500
Capital Gains/NIIT Tax Paid/Saved	\$1,904 saved	N/A	\$1,904 paid
Net Tax Savings	<b>\$5,404</b>	<b>\$3,500</b>	<b>\$1,596</b>

Ordinary Income Tax Savings assumes 35% tax rate and itemization. Capital Gains Tax paid assumes tax rate + 3.8% Net Investment Income Tax on \$8,000 gain. Please consult your tax advisor regarding impact to your personal tax return. \*See below for sources.

### Timing Your Donation

In order to benefit from these tax advantages, the security being transferred must have been held for a minimum of one year. If you're looking to obtain a deduction for the current tax year, it's important to know that the stock transfer must be completed by December 31st. Because electronic transfers from your brokerage account are recorded on the day it's received by the charity (not the day you initiate the transfer), you'll want to plan your donation early to ensure receipt by year-end.

If you have questions about how this applies to your specific situation or if you could benefit, please don't hesitate to [reach out to a member of our team](#) for specific recommendations.

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\* Lumina. (2014, December 17). Money matters. Retrieved from <http://luminanews.com/2014/12/money-matters-37/>.

\* Southern California Public Radio. (n.d.). Stock Gifts. Retrieved from [https://www.scpr.org/support/stock\\_gifts](https://www.scpr.org/support/stock_gifts).