

# Analyzing the Benefits of a Charitable Stock Transfer

*Giving through a stock transfer maximizes your gift to charity and saves you money on taxes.*

Consider the following example of two alumni of Ohio University, Andy and Bill, who hold appreciated stocks.\*

Both Andy and Bill bought stock in a company years ago for \$5,000 and today the fair market value of the stock is \$20,000. Andy and Bill would like to support a cause they care about while benefiting from a charitable income tax deduction, so they decide to donate their stocks to The Ohio University Foundation.

Andy sells his shares of stock in order to make his donation. He sells the stock for a \$15,000 gain, and that gain incurs \$3,000 of federal taxes (at 20% capital gains rate). Andy then writes a check to The Ohio University Foundation for the remainder of \$17,000. Given that Andy is in the 28% tax bracket, his \$17,000 charitable contribution would generate tax savings of \$4,760.

Bill, on the other hand, made arrangements with Ohio University to transfer his stock directly to The Ohio University Foundation.



**Appreciated stocks are subject to capital gains tax upon sale.**

Because he transferred his stock directly, Bill does not have to pay any capital gains tax on the transfer, and The Ohio University Foundation receives the full \$20,000. Given that Bill is also in the 28% tax bracket, his \$20,000 charitable contribution will realize a tax savings of \$5,600.

As a consequence of his stock transfer, Bill was able to transfer the full value of the stock to charity, while Andy's sale and donation netted 15% less value. Also, Bill saved a full \$5,600 in taxes from his contribution, while Andy saved a mere \$1,760 in net taxes (\$4,760 tax deduction minus the \$3,000 he paid on the gain in the sale). A stock transfer thus maximizes the tax benefits for the donor as well as the gift for the charity.

*\* This story is merely for illustrative purposes.*

## *The ABCs of a Stock Transfer*

### **A**lways Transfer, Never Sell Appreciated Stock

If you sell appreciated stock and give all the money to charity just seconds later, you will pay unnecessary taxes, and the charity will receive a smaller contribution. However, if your stock has depreciated, sell the stock, enjoy the deduction, and then donate the sum to charity.

### **B**ye, Bye Cash Gifts, Hello Stock

If you regularly make cash gifts, consider making a stock gift instead. Then use the cash you would have donated to replace your stock gift. That way you avoid capital gains on the "old" stock and acquire a "new" stock at a higher basis.

### **C**onsider a Stock Transfer in 2009

Giving stock can always be as easy as it has been to hold it—with none of the worry about the ups and downs of the market, just the satisfaction of supporting a good cause. If you have any questions about donating stock to The Ohio University Foundation, please contact Kelli Bell at (740) 597-1819 or [bellk@ohio.edu](mailto:bellk@ohio.edu).