

How to donate stock to a favorite charity

With the stock market looking much healthier than it was a year ago, investors can consider ways to donate stock to their favorite charities. If you are thinking of making such a gift, here are some points to consider.

Tax Advantages

There are some significant potential tax advantages for making a gift of stock (or other highly-appreciated asset like real estate) to a favorite charity or other non-profit organization such as a college or university. Generally, you can:

- Receive an immediate tax deduction for the value of the donated stock at the time you donate it.
- Avoid paying huge capital gains taxes on stock that has appreciated significantly in value since you purchased it.
- Reduce your taxable estate by donating stock to a charity. If you have a sizable estate, that can divert the money in that stock away from the IRS and into the coffers of your charity.

The rules governing these donations and applicable tax benefits can be quite complex, however, so please consult with your accountant or financial adviser about your personal situation before taking any action.

Retaining Income

There is a way to donate stock to a favorite charity without totally giving up the financial benefit of that asset. Using what are called Charitable Remainder Trusts or Charitable Gift Annuities, you can donate stock, enjoy certain immediate or estate tax advantages and receive an income stream from your donation for a specific period of time, such as your lifetime, the combined lifetimes of yourself and your spouse, or even through your lifetime and those of your children. If you have a sizable portfolio of stock to donate, a Charitable Remainder Trust may be the best choice for you; smaller gifts generally can be made most efficiently via a Charitable Gift Annuity. Talk with your financial adviser about these options.

Considerations

Before you donate any stock, of course, be sure that you will have sufficient funds for the long-term and can afford to give up the value of the stock. Also, although there are tax advantages, we recommend that you make the gift primarily because you want to support the work of a particular charity or

organization. The tax advantages of your gift are simply the icing on the cake.

It's a good idea to talk with your children about any asset you plan to give to charity, especially if it is part of your estate plan. If they feel badly about losing the financial benefit of that asset, you may want to purchase life insurance as part of your estate. Upon your death, proceeds from this insurance can provide money to your children that replaces the value of the donated asset without being subject to estate taxes.

Also, talk with the charity or organization that will receive your donated stock. You may learn that the charity has a strict policy of selling all stock as soon as it is received and investing the sale proceeds elsewhere. If you did not know that in advance, and you donated a favorite or long-held stock, you might be put off by what appeared to be its abrupt sale. Some charities also have policies that prohibit acceptance of certain types of stock. Understanding your charity's policies in advance can help ensure that both of you enjoy the maximum benefit and satisfaction from your gift.