Smart Investor. Smart Donor.

When it comes to charitable giving, appreciated stock is often your smartest way to be both generous and tax savvy.

You know your way around the stock market. You make wise investment choices and enjoy the benefits of excellent returns. Now, you have attractive options for your appreciated stock.

In most cases, gifts of stock are more beneficial than giving cash.

Giving stock is really easier than you think and it gives a double tax break—no capital gains tax on the appreciation and a deduction for the entire gift. We will work with your financial advisor to help you through the simple gifting process. *Look inside to see an example of how this works.*

Reasons to Donate Stock vs. Cash

The main reason to donate stock to charity is that it **allows you to give more money** than with cash. If you sold the stock and then donated the cash, you would first have to pay 15-20% of the cash in capital gains tax. This applies if the stock has appreciated in value since you bought it.

Another reason is to **reduce future capital gains taxes**. If you replace the appreciated shares that you donated, you will be doing so at a higher cost basis than the old shares. Then, if the stock continues to appreciate and you want to sell in the future, you will pay less in capital gains tax than you would have if you still had the original shares.

When Not to Donate Stocks

If a stock is trading for less than what you paid for it, it's usually better to sell and donate cash to charity. This allows you to record the loss as deductible on future tax returns.

How It Works

- Transfer appreciated stocks, bonds, or mutual fund shares you have owned for one year or more to Marion Community Foundation
- Marion Community Foundation sells the securities and uses the proceeds to create a charitable endowment fund to support the local nonprofit, project, or program of your wishes

Is This You?

- Hold stocks, bonds, or mutual fund shares that have increased in value
- Want to make a gift that does not affect liquidity or cash flow
- Want to fund a gift that will make lifetime donations to charity
- Increase income without having to pay the capital gains taxes that would result from a sale

504 South State Street, Marion, Ohio 43302
740-387-9704
www.MarionCommunityFoundation.org

MARION COMMUNITY FOUNDATION

The Details

- Instead of cash, use appreciated stocks, bonds, and/or mutual fund shares you've held more than one year to make your gift. You will be able to **claim a federal income tax charitable deduction for the full, appreciated value** of the securities (not the lesser amount you originally paid). In addition, you will pay **no capital gains tax** on the transaction. This means the after-tax cost is less than a gift of cash.

- If you are like most donors, you do not have physical possession of the security certificates issued in your name; rather, they are in your brokerage account. Securities can be transferred electronically from your account to Marion Community Foundation.

- Your broker simply calls the Foundation for instructions. If you physically hold the certificates, you mail the unsigned certificates to the Foundation, along with a signed Stock Power form in a separate envelope. Occasionally, you might need to contact the corporation to transfer ownership on its books. This can be time-consuming, and it can be difficult to control the legal date of a gift when ownership is put into the Foundation's name, especially at year-end.

- You should not sell appreciated securities first and then gift the proceeds. Even if the **sale** is for charitable purposes, it **will trigger capital gains taxes** for you.

- Donors who use publicly traded stocks, bonds, or mutual fund shares held for a year or longer will receive an additional tax benefit: the IRS allows you to make the transfer to Marion Community Foundation without recognizing capital gains on the appreciation. You thus leverage a larger donation than you could make with cash -- and receive a larger tax benefit -- by "buying low and giving high."

Benefits to You

- Immediate income-tax deduction for the fair market value of the securities on the date of transfer, no matter what you orignially paid
- No capital gains tax on the transfer
- Giving appreciated stock can be more beneficial than giving cash
- A $5,000 cash gift and a gift of $5,000 in appreciated securities generate the same charitable deduction

Marion Community Foundation helps charitably-minded people, like you, achieve long-term philanthropic objectives by creating tax-deductible, permanent, named endowment funds. These funds support numerous Marion area non-profit programs and organizations and individuals through grants and scholarships. An endowment in your name, or that of your family or a loved one, can permanently support the charity or cause of your choosing. Philanthropy and tax benefits can go hand in hand. If this appeals to you, please call us, 740-387-9704.

Example Tax Savings & Benefits of Donating Stock

If you're planning to make a $15,000 gift to your endowment—or start a new one—at Marion Community Foundation, you could write a check. But there may be a smarter way to give.

Imagine you bought 300 shares of stock years ago for $6,000, and today they're worth $15,000. If you sell them, you'd owe capital gains tax—about $1,350—leaving only $13,650 for your gift. You'd need to add extra cash to reach your $15,000 goal.

Instead, consider donating the stock directly. With help from your advisor and the Foundation, it's easy to do. You avoid paying capital gains tax, the Foundation receives the full $15,000, and you may be able to deduct the entire amount as a charitable contribution (if you itemize).

Bonus tip: If you love that stock, you can buy new shares at today's price. That "resets" your cost basis, which could mean lower taxes if you sell later.

Less tax, bigger impact, and a stronger fund for the future—now that's a win-win-win.

Original cost (cost basis) of XYZ stock: $6,000
Federal long-term capital gains tax rate: 15% (for most people)

Fair market value of XYZ stock today: **$15,000**

	Option 1: Sell XYZ stock and then donate the after-tax proceeds	Option 2: Contribute XYZ stock directly to Foundation	
Long-term capital gains tax paid	$1,350	$0	
Chartiable contribution and tax deduction	$13,650	$15,000	Additional amount available to grant to charities: **$1,350**
Net Tax savings	$1,926	$3,600	Additional amount saved on taxes: **$1,674**

VS.

This hypothetical example is only for illustrative purposes. The example does not take into account any state or local taxes or the Medicare net investment income surtax. The tax savings shown is the tax deduction, multiplied by the donor's income tax rate (24% in this example), minus the long-term capital gains taxes paid.

Donating stock & securities to create a charitable endowment fund

can offer several advantages for you, as a donor. An endowment fund is a long-term investment account set up through a community foundation to generate income and fund charitable activities in perpetuity. Here's how donating stock and securities can be particularly advantageous:

Lasting Impact

Sustained Support: By establishing an endowment fund with your stock or securities donation, you are ensuring a continuous source of funding for a charity or cause you care about. The principal is invested and the income generated can be used to provide annual grants in support of your chosen organization's programs, projects, or initiatives over the long term.

Named Endowment Funds: You choose the name for the endowment fund you create at Marion Community Foundation, which can be a meaningful way to commemorate a loved one or promote a cause close to your heart.

Inspiring Others: Your donation to establish an endowment can serve as inspiration for others who share your philanthropic goals. It may encourage friends, family, or other supporters to make similar contributions, amplifying the fund's impact.

Tax Benefits

Capital Gains Tax Avoidance: One of the primary advantages of donating appreciated stock or securities is the ability to avoid paying capital gains tax on the appreciated value. When you sell an investment that has gained value, you typically incur capital gains tax on the profit. However, when you donate the same investment to a qualified charity like Marion Community Foundation, you avoid this tax and potentially eliminate any future capital gains taxes that you or your heirs would have had to pay had you sold the securities.

Income Tax Deductions: You can typically deduct the full fair market value of the donated securities on your income tax return, provided you itemize your deductions. This can lead to significant tax savings, especially if the donated assets have appreciated.

Lower Transaction Costs: When you donate stock or securities, you avoid transaction costs such as brokerage fees and commissions. This means more of your contribution goes directly into your endowment fund.

Financial Stewardship

Professional Management: Marion Community Foundation engages investment professionals who manage our endowment funds prudently. The growth of the fund over time creates a source of income for the local charities and nonprofits you care about.

Risk Mitigation: The diversified investment strategies employed by Marion Community Foundation can help mitigate the risks associated with market fluctuations, safeguarding the fund's long-term sustainability.

Flexibility & Diversification

Streamlined Process: To donate stock, you transfer the securities to the Foundation's brokerage account, which can often be handled electronically or with the assistance of your financial advisor. Donating securities is generally faster than selling them. This can be especially beneficial for year-end tax planning.

Diversify Your Portfolio: Donating securities can be a strategic way to rebalance your investment portfolio without incurring capital gains taxes. You can sell other assets to maintain your desired asset allocation, while donating appreciated securities to charity.

Legacy Building

Honoring Your Values: Creating an endowment fund allows you to leave a lasting legacy that reflects your values and commitment to a specific cause. This legacy can continue to make a positive impact on the community or cause you care about, even after your lifetime.

Involvement: If you create a donor advised fund, you will have the opportunity to be involved in decisions regarding how the endowment fund's income is used, providing a sense of connection and satisfaction in knowing how your donation impacts the Foundation's work.

504 South State Street, Marion, Ohio 43302
740-387-9704
www.MarionCommunityFoundation.org

MARION COMMUNITY FOUNDATION