

Gift of Appreciated Stock to GRACE UMC

Keep Your Cash!

Most people donate to charities in the form of cash. This can be an unfortunate mistake, especially if you hold securities with unrealized long-term gains. Donating appreciated stock is a cashless transaction that can yield you double tax benefits.

First, you receive an itemized deduction equal to the fair market value (FMV) of the stock. FMV is calculated as the high-low average of the stock price on the day it was contributed. But you also do not have to realize the gain on appreciation of those donated stocks. That second benefit saves you the 20% capital gains tax. (Remember, this is for stock with a long-term holding period.)

Below is a hypothetical example that provides a side-by-side comparison showing the benefits of donating appreciated stock, rather than simply donating cash or, even worse, selling stock and then donating the cash. The technique is still valid at different AGI and donation amounts.

	Donate Cash	Sell Stock to Donate Cash	Donate Stock
Adjusted Gross Income (AGI)	\$100,000	\$100,000	\$100,000
Fair Market Value (FMV) of Gift	\$10,000	\$10,000	\$10,000
Charitable Deduction	\$10,000	\$8,800 ⁱⁱⁱ	\$10,000 ⁱⁱⁱ
Cash Required	\$10,000	\$0	\$0
Capital Gains Tax	\$0	\$1,200 ⁱⁱⁱ	\$0

ⁱAssumes the cash remaining after taxes are paid is donated (\$25,000 - \$3,000).

ⁱⁱAssumes 400 shares and a cost basis of \$10, with a \$25 high-low average on the day of contribution.

ⁱⁱⁱTax is computed based on the maximum capital gains rate of 20% (\$150,000 AGI = 20%).

It's clear that donating long-term appreciated securities is a more tax-efficient way to donate to Grace UMC, yet very few of our members take advantage of this tax avoidance strategy. It may be because they do not realize they can contribute securities to Grace UMC or because they want to continue to maintain their current stock holdings. But if you wish to continue to own a particular stock, you can always simply utilize the cash that you would otherwise be donating to Grace UMC to repurchase that same stock at the current FMV. This generates a charitable deduction, avoids a taxable event, and still allows you to reestablish your desired position with a (more beneficial) higher cost basis, allowing you to continue participating in any growth and dividends.

Summary

Consider discussing your ability to donate appreciated stock to Grace UMC, and the tax benefits that go along with doing so, with your tax advisor. It's a great tax avoidance strategy that you may find beneficial.

Your donation will be used as you designate – whether it is to help repair our historic structures, support our church programs and ministries, help grow our endowment funds to a level that will ensure the long-term financial solvency of Grace UMC, or a combination of the above. Your stock donation can be allocated to the annual operating budget or the annual capital budget and be part of your planned annual giving. The Permanent Endowment Committee oversees the allocation of stock donations.

If this might appeal to you, please contact Peggy (our Office Administrator), Nataliya (our Church Treasurer) or a member of the Permanent Endowment Committee so they can provide more information and help you explore how this could be of benefit.

Berg Magloff Wealth Management Group, at Stifel Financial serves as Financial Advisor to Grace UMC. They can be reached at (904) 760-4517. Stifel does not provide legal or tax advice. You should discuss your particular situation with your professional legal and tax advisors.

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