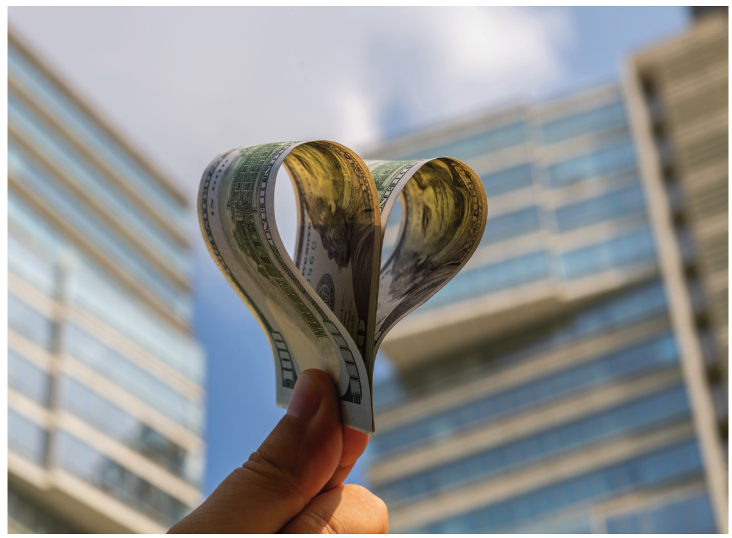
Knights of Columbus
Charitable Fund®

# Looking beyond the checkbook

## Maximize your giving and tax-savings by outright gifts of appreciated assets

Charity has a cash problem.



Despite 89% of all wealth being held in non-cash assets, such as publicly traded securities or real estate, the average American continues to make the vast majority of gifts using cash. In fact, studies show that 86% of US charitable donations are made using cash, card, or checks.[1]

The result is that donors continue to rely on their limited income and liquid resources – only 11% of their net-worth — leading not only to reduced impact to charity but also missed tax-savings.

That's because gifts of appreciated assets have double tax-benefits by bypassing capital gains tax in addition to an income tax-deduction.

For many, the easiest asset to leverage into more tax-efficient giving are appreciated securities that have been held for at least one year. By giving these long-term investments, donors avoid capital gains taxes and are eligible to an income tax deduction up to 30% of their adjusted gross income (AGI).

### MAXIMIZE SAVINGS

To maximize tax savings, donors should start by avoiding one common and expensive mistake – selling the appreciated asset and then donating the proceeds.

This option can seem tempting. After all, cash gifts are eligible for twice the charitable tax deduction as gifts of appreciated securities — 60% of adjusted gross income for cash versus 30% for appreciated securities.

But while making a cash gift might enable a larger income tax deduction, it likely would not be enough to offset the capital gains taxes lost by making a sale. To illustrate, we'll look at a fictionalized test case:

1 https://thegivingblock.com/resources/non-cash-asset-fundraising-for-nonprofits/

**AGI: $250,000**

**Marginal tax rate: 24%**

**John and Maria Smith**
***Married, filing jointly***

The Smiths want to make $25,000 in charitable gifts this year by selling 50 shares of appreciated stock that was purchased 5 years ago at $300/share, for a total cost basis of $15,000.

By selling the stock, the Smiths will owe capital gains tax on the growth, or $10,000 in this case. At their income level, the tax rate will be 15%. That means that the Smiths will owe $1,500 in taxes just by selling the asset, functionally reducing the amount they have to donate to $23,500.

In addition to not being available to give to charity, that $1,500 reduction of total giving reduces the Smiths' tax deduction by $360, functionally raising the cost of their gift to $1,860 in taxes.

In comparison, when making a gift of appreciated assets that have been held for more than one year, donors bypass the capital gains tax owed on the growth of the asset. They also receive a charitable deduction for the full value of the stock — in our test case, the Smiths bypass $1,500 in capital gains taxes and can grant all $25,000 to grant to charity. They'd be saving a total of $6,000 in taxes—and with no additional tax costs to offset those savings!

Even if you are looking for additional income — i.e., you plan to sell appreciated stock and keep a portion of the proceeds as income — it may be more tax efficient to sell only the portion of the asset equivalent to the amount of income you need and to gift the remainder outright.

## MAXIMIZE IMPACT

By layering the tax-efficiency of gifts of appreciated securities with the flexibility of a Charitable Fund, donors can stretch their impact even further.

For instance, while many larger non-profits have the capacity to accept gifts of securities outright, some smaller, local organizations do not have the infrastructure or staff to accept securities gifts.

By giving through a Charitable Fund, you receive the tax benefits of an outright securities gift and then issue grant requests from your Fund over time. Those grants are made via cash, allowing the proceeds of your securities to support your favorite causes and organizations, regardless of size.

A Charitable Fund also allows donors to break up the proceeds to support multiple charities, leveraging a single large gift to fund multiple impact areas. Funds also do not have to be granted immediately and are invested within the Fund with no taxes on potential growth, creating the opportunity for even more giving.

## CONCLUSION

Making a gift is a process of discernment. Not only do you have to discern which organizations you are called to support – you also should determine which giving method best enables you to reach your larger charitable and financial goals.

Whether you're looking to increase your annual giving, offset the tax-hit from capital gains or just want a simple, efficient way to give, consider how leveraging your appreciated securities can help you meet your charitable and financial goals. As always, it is important to discuss charitable giving strategies with your financial or tax advisor before making a gift.

## HOW TO GET STARTED

1. Record your intended gift of Securites with KCCF by logging into your secure Donor Portal and selecting "Make a Contribution."
2. Contact your brokerage firm and initiate the transfer of securities to KCCF.
3. Once your transfer is received, KCCF will liquidate the shares and allocate the balance to your Charitable Fund.
4. You will receive a gift receipt for the fair market value of the shares based on the day of receipt, or you can access your gift receipt through your secure Donor Portal.
5. Utilize your account to distribute grants to your favorite charities in accordance with your Catholic values.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