

GIVING STOCK INSTEAD OF CASH***The Benefits Add Up Quickly***

Over the long term, stocks are supposed to appreciate in value. For example, if in January 1998 you put \$1,000 in an S&P 500 index fund, 10 years later in December 2007 it would be worth \$1,535. For the 50-year period January 1969 through December 2018, the S&P 500 had an annualized average return of 6.7 percent, and almost 10 percent if all dividends were reinvested.

The problem comes in realizing the full value when the stockholder sells the shares. That \$1,535 value might net only \$1,384 after the long-term capital gains tax is paid. If the stockholder wishes to buy another investment, pay a tuition bill, medical bill, or taxes, purchase travel or property, etc., they will have to sell more stock than they need to account for the taxes owed. Indeed, there are virtually no uses for those shares that deliver 100 percent of their value to the donor — except one: charitable gifts.

This sheet describes four reasons to consider your next gift using appreciated investments, and includes instructions to facilitate a gift of stock to the University of Maryland, Baltimore or one of its seven schools.

You can give a greater amount, or less expensively

Giving appreciated stocks and mutual funds (owned for more than one year) immediately adds a tax advantage over making the same gift in cash.

The income-tax benefit is identical to that of cash: the donor can deduct the fair market value of the gift. Giving stocks and mutual funds, however, provides that the long-term capital gain (LTCG) is not recognized on their tax return, so the donor avoids any LTCG tax due on the appreciation.

This second tax benefit lowers the cost of the gift for the donor, or allows them to give more than they were intending to, at the same cost as the cash amount they were prepared to give.

You can reduce future capital gains

What if you love the stocks you own? What if you want to keep them because they have done so well, and you expect them to keep appreciating? A gift strategy allows you to keep your investment and “step up” the basis, thus reducing LTCG tax owned when they are sold.

Instead of making a gift with a check or credit card, you could donate that amount in stock, and use the cash to buy new shares of the same company. Your out-of-pocket cost is exactly the same, but you now have a new stepped-up cost basis for calculating future capital gains.

You can improve portfolio balance

If you have an investment plan with target percentages in various categories, differentiated by factors such as risk, size, liquidity, foreign/domestic, etc., giving can improve your portfolio balance. A portfolio rebalance occurs when you sell some shares of investments that have done well, and buy more investments that have not performed as well. This maintains the account holder’s target percentage in each category, and helps the investor buy low/sell high.

Instead of selling shares that have performed well, the account holder can use the most highly appreciated stocks for charitable gifts, avoiding the LTCG tax on those shares and putting 100 percent of the value to charitable use. Thus, giving stock integrates well into the goals of regular portfolio rebalancing.

It can be quick and easy

If giving appreciated securities yields additional tax savings for the donor, why don’t more donors give stock and mutual funds? A 2016 study of high net worth donors found less than 6 percent use stocks or mutual funds in their giving.

The main reason is probably inconvenience; giving cash is simpler and faster. To give stock, a donor must instruct the investment company to transfer the shares, a process that can take one to three days.

While it is true that giving stock involves one additional step of instructing the broker, many find it well worth the small trouble for benefits gained, provided they have the charity’s transfer information in hand when needed.

Gifts of stock or mutual funds to the University of Maryland, Baltimore are made through the University of Maryland Baltimore Foundation, Inc., and you will need to provide your broker instructions with the following information:

University of Maryland Baltimore Foundation
Bank: Northern Trust
DTC: 2669
Reference: 26-57648

*Please notify us in advance of any stock gift so we can identify the donor when it arrives, and know where to designate the sales proceeds. Please contact the **Office of Planned Giving** at 877-706-4406 or plannedgiving@umaryland.edu.*

This publication is not intended to provide legal, tax, investment, or other professional advice, and should not be relied upon for such advice. In advance of any charitable gift plan, we encourage you to seek the advice of legal, tax, and investment professionals.

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