



**Jewish Community
OF GREATER
Foundation METROWEST NJ**

CONTRIBUTIONS OF APPRECIATED ASSETS

When you make a charitable gift, do you simply reach for your checkbook?

Donating appreciated assets instead can provide you with significant advantages.

Donations of publicly traded securities are a common, tax-wise method of making non-cash charitable gifts. Securities which are highly appreciated represent the most attractive assets to give: they are easily transferred, and in most cases, easily valued for deduction purposes, without the need for a formal appraisal. The most common forms of securities gifts are shares of publicly-traded stock, bonds and mutual funds.

The typical donor of appreciated assets holds publicly-traded securities that are highly appreciated in value and wishes to transfer them prior to a sale.

At-A-Glance

- Immediate income tax deduction for the fair market value of the asset(s).
- Avoidance of capital gains taxes.
- Gifts can be timed to match fluctuations in the capital markets.

How Do I Make a Gift of Securities?

How you proceed depends on how your individual securities are held. If you hold the securities in your possession, they may be sent directly to JCF. If the securities are held in a brokerage account or on book entry with a company, you will need to work with your broker and/or the company to complete the transaction. JCF has instructions for transferring different kinds of assets and will work with you and your advisors to complete your donation.

Important Facts You Should Know About a Gift of Securities

Gifts of securities provide a vehicle for giving that is less expensive than simply writing a check or paying by credit card. For example, if you paid \$1,000 for your stock five years ago and the fair market value of that stock today is \$3,000, you will receive an income tax deduction for the full fair market value of \$3,000, even though your cost basis in the security (what you paid for the stock) is only \$1,000. The net tax benefit reduces the cost of your gift.

To avoid capital gains tax, it is important to make your gift prior to selling the securities.

Please turn this page over for additional information on Gifts of Appreciated Assets.

ILLUSTRATION

Donating Cash

Suppose you wish to donate \$10,000. If you write a check for \$10,000, you will receive a \$10,000 charitable income tax deduction. If you are in a 35% tax bracket (federal and state) and itemize your deductions, you will reduce your taxes by \$3,500 ($\$10,000 \times 35\%$). The net cost of your gift will be \$6,500 ($\$10,000 - \$3,500$).

Cash Gift:	\$10,000
Income Tax Savings:	\$3,500
Cost of Contribution:	\$6,500

Alternative – Giving Appreciated Securities

Now, suppose that instead of giving cash, you donate \$10,000 worth of publicly-traded stock, which you purchased 5 years ago for \$2,000. First, just like the gift of cash, you will be able to claim a \$10,000 charitable income tax deduction, thereby reducing your taxes by the same \$3,500. In addition, you will avoid paying the capital gains tax you would have paid if had sold the stock rather than donating it to a charity.

If you sell the stock, you will realize an \$8,000 long-term capital gain. If you are in a 20% capital gains tax bracket (federal and state), you will pay \$1,600 in capital gains tax ($\$8,000 \times 20\%$). However, by donating the stock instead of the cash, you could forever eliminate this potential tax liability. By giving stock instead of cash, the net cost of your gift will be further reduced from \$6,500 to \$4,900.

Stock Gift:	\$10,000
Income Tax Savings:	\$3,500
Capital Gains Tax Savings:	\$1,600
Cost of Contribution:	\$4,900

Donating Stock You Want to Keep

If you own highly appreciated stock you would like to keep, you should still consider funding your charitable gifts with that stock. You can then use the cash you would have donated to purchase new shares of the same stock, increasing your cost basis in the newly re-purchased shares. This may provide you with an even greater tax savings in the future.

Limitations

The amount of charitable deduction you can claim in any one year is limited to a percentage of your adjusted gross income (AGI). For gifts of cash to public charities, the limit is 50% of AGI. For gifts of long-term capital gain property (securities), the limit is 30%. In both cases, any deduction that exceeds the amount you can claim in the year of your gift due to these limitations may be carried forward over up to five additional years.

For more information, please contact:

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