

## Gifts of Securities

### What are they?

Contributing appreciated securities – generally stocks and bonds – to The Rhode Island Foundation is one of the many ways you can combine your charitable giving goals with effective estate and financial planning.

### What are the benefits?

Donors considering substantial charitable gifts should ask themselves two important questions:

- Do I own securities with an appreciated value at least equal to the value of my intended gift?
- Do I plan to sell these securities eventually?

If the answer to either or both questions is yes, giving appreciated securities is probably smarter than writing a check. If you have held your securities for more than one year, the federal income tax deduction will be the same, and there will be no capital gains tax due when the securities are sold. If you have held the securities for less than a year, your federal income tax deduction will be limited to their cost basis.

#### EXAMPLE

Suppose Steve and Sandra White bought 100 shares of ABC Corporation in 1990 at a cost of \$2,000. Today those shares are worth \$10,000 and pay less than 3% in annual dividends. The Whites want to make a \$10,000 gift to the Foundation to start a fund. They usually make gifts of this size in cash. Let's see if that is their best option.

	OPTION A Give \$10,000 cash	OPTION B Sell stocks and give cash	OPTION C Give securities outright
Gift Value	\$10,000	\$10,000	\$10,000
Ordinary Income Tax Savings (35% bracket)	\$3,500	\$3,500	\$3,500
Capital Gains Tax (15% bracket)	None	paid \$1,200	saved \$1,200
Taxes Saved	\$3,500	\$2,300	\$4,700
<b>Total Relative Cost of Gift</b>	<b>\$6,500</b>	<b>\$7,700</b>	<b>\$5,300</b>

In this example, it would be best for the Whites to contribute to the securities outright; the least favorable option is to sell the stocks and donate the proceeds.

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## Gifts of Securities, continued

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### Frequently Asked Questions about Gifts of Securities

#### **WHAT IS THE ACTUAL GIFT DATE?**

For certificates, the gift is complete as of the postmark or delivery date. For stocks in street name, it is the date they are electronically received into the Foundation's account.

#### **WHAT IS THE VALUE OF THE SECURITIES FOR DETERMINING THE CHARITABLE DEDUCTION?**

It is the mean market value, which is the average of the high and low quotations on the gift date.

#### **WHAT IF I WANT TO DONATE DEPRECIATED SECURITIES?**

The Foundation suggests selling your securities at a loss and donating the cash proceeds. Your deduction will be for the full amount of the donated cash, and you can claim a capital loss on your tax return to offset any capital gains.

#### **WHY SHOULD I ONLY GIVE SECURITIES THAT I HAVE OWNED FOR AT LEAST ONE YEAR?**

Securities contributed to the Foundation are deductible at their full fair market value if you have owned them "long term"—i.e., for twelve months and a day. Otherwise you may only deduct your cost basis, if that is less than their current value.

#### **CAN I CONTRIBUTE CLOSELY HELD STOCK?**

The IRS requires a qualified, independent appraisal of the stocks to determine the donor's income tax deduction if their value exceeds \$5,000. Assuming the Foundation approves the gift, securities are transferred to the Foundation with a cover letter, copy of the appraisal and the certificates.

#### **HOW DO I CONTRIBUTE SECURITIES TO THE FOUNDATION?**

Call the Development Office at (401) 274-4564. We will be happy to work with your broker or banker, or to provide detailed instructions to facilitate your transfer.

#### **The Foundation's Policy on Stock Gifts**

The Foundation is always pleased to accept gifts of marketable securities. Except in unusual cases, the gifted stocks will be sold immediately. The Foundation does not hold small quantities of stock representing many different companies because they are not compatible with the Foundation's overall portfolio and investment strategy.