

DONATING APPRECIATED SECURITIES RATHER THAN CASH

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“For those who are charitable minded, donating appreciated securities is a great tax-planning strategy.”

McCarthy Asset Management, Inc. is an independent, fee-only investment advisory firm that has been helping people invest wisely for over fifteen years. Our mission is to help you better understand and improve your financial situation. We specialize in Retirement Planning, Portfolio Management and Tax Planning.



An often-overlooked tax break is to donate appreciated securities to a charity. For those who are charitably-minded, this can be a great tax-planning strategy. Publicly traded securities held for more than one year—such as stocks, exchange-traded funds (ETFs) and mutual funds—are what can be donated. Here are the benefits of doing so:



- The donor avoids having to pay capital gains tax on the appreciated asset. Including state income taxes, for high-income taxpayers, this can result in Federal/State tax savings as high as 35% of the gain.
- Assuming the donor itemizes their personal deductions rather than claiming the standard deduction, they get to claim a charitable deduction equal to the fair market value of the donated asset. This assumes their total charitable contributions are less than 50% of their Adjusted Gross Income.
- The charity can sell the donated asset and avoid having to pay capital gain taxes on the gain.
- The donor can reduce a concentrated stock position without having to realize capital gains by gifting part of the concentrated stock position.

Approximately 8.6 million individual taxpayers who made at least \$200,000 filed tax returns in 2018. Of those, just 2% claimed a deduction for donating securities. It's not clear why more taxpayers don't take advantage of this tax break. Of course, if a taxpayer simply wants to maximize their after-tax proceeds from an appreciated stock, they should just sell the shares and pay the tax. But if they desire to make charitable contributions, then they are better off donating the appreciated asset rather than cash.

Our Services

Investment Management Services:

- MAM creates and manages customized investment portfolios based on each client's investment objectives, timeframe and risk tolerance.

Financial Planning Services:

- The Net Worth Analysis (NWA) tracks the accumulation of Invested Assets for pre-retirees and the retention of Invested Assets for retirees. Updated annually.
- "Retirement Analysis" a comprehensive analysis of your retirement goals, which produces easy-to-read, interactive working plan, stored in the cloud. Updated as needed for life events.

Tax Services:

- Clients have the option of utilizing the income tax services provided through the firm Stephen P. McCarthy, CPA. These services are offered at an hourly rate and may include:

- Tax Return Preparation
- Income Tax Projections
- Tax Minimization Ideas
- Tax Authority Representation

Other Services:

- MAM has retained several outside experts, whose services are available at no cost to our clients:
 - Medicare Planning—
Eileen Hamm of Superior LTC Planning Services, Inc.
 - Long Term Care Planning—
Allen Hamm of Superior LTC Planning Services, Inc.

Donor-Advised Funds, such as the Schwab Charitable Fund or the Fidelity Charitable Fund, can improve on this charitable giving in a couple of ways:



- The donor can make a large contribution to their Donor-Advised Fund in one year, and then distribute the contributions to one or more charities over a period of years.
- These Funds greatly simplify the process for the charity. The Donor-Advised Fund sells the appreciated asset tax-free, and transfers cash to charities as directed by the donor. This way the charities do not have to deal with selling the donated securities.

MAM Comment: I established a Schwab Donor-Advised Fund several years ago and have enjoyed using it since. It is a straight-forward process to contribute appreciated securities and instruct Schwab to distribute cash to charities.