

Gifts of Stock



Gifts of Appreciated Stock—A Smart Way to Give

Appreciated stock, held for more than one year, can be the ideal choice for individuals who want their charitable gifts to make the biggest impact for the lowest possible cost. The secret ingredient: double tax benefits.

Ava gives us 100 shares of stock worth \$5,000—stock she purchased 10 years ago for \$1,000. Ava receives two tax benefits. She can deduct the full \$5,000 if she itemizes, subject to limitations, and she bypasses the capital gains tax on the \$4,000 appreciation.*

CHARITABLE DEDUCTIONS ARE SUBJECT TO LIMITATIONS

- Only gift amounts that surpass 0.5% of your AGI qualify for an income tax deduction.
- If you are in the top 37% tax bracket, the tax benefit of your deduction will be capped at 35%.
- The maximum deduction for long-term appreciated stock is 30% of your adjusted gross income. Any excess deduction can be carried over for up to five years.

Which Stocks Are Best to Give?

The best choices depend on your portfolio, investment goals, and taxes. There are no definite rules for suitable stocks, but there are a few guidelines:

- Stocks must have been held for more than one year to deduct the appreciation.
- Stocks with the greatest amount of appreciation provide the most leverage for the untaxed gain.
- Investors might choose to give a stock that would help reposition investments, rebalance portfolio ratios, and provide valuable tax relief.
- A stock that lowered or cut its dividend might be a good option.

Opportunities to Give and Increase Income

In addition to outright gifts, individual stocks are also an excellent choice for funding life income gift plans. This makes an easy gift with little to no problem in valuation. What's more, life income gifts generate substantial tax benefits in the year they are made and provide you with an attractive income for life or a term of years. Some life income gifts even provide a choice between a fixed and variable income. Let's look at the two main reasons for using appreciated stock to fund a life income gift plan.

Increase income

Investors may hold stocks that pay low dividends. Suppose you want more income for retirement. If you sell appreciated stock and reinvest the proceeds to achieve a higher yield, there is a capital gains tax liability—possibly as high as 23.8% (20% capital gains tax rate plus the 3.8% Medicare surtax on investment income).

* All examples are for illustrative purposes only.

A better strategy for those who are charitably inclined might be to fund a life income gift plan with stock. A gift of low-paying dividend stock provides relief from the capital gains tax, and the full value of the stock is used to determine the payout of a life income gift. You also qualify for a substantial income tax charitable deduction, which further improves cash flow. Most important, you get the personal satisfaction of knowing that your gift will have an impact on our work.

Rebalance a portfolio

Individuals at or near retirement frequently become more conservative. As aging investors become less interested in risk, they redefine their investment objectives and often find they need to rebalance their portfolios.

Suppose Doug has an investment objective that calls for 40% equities and 60% in low-risk, low-return investments. When investment gains cause equities to rise to 50% of the portfolio, Doug must sell stock to rebalance. However, this sale can trigger a hefty and unwanted capital gains tax. Alternatively, Doug could use the excess stock to set up a life income gift plan. This strategy lets Doug pay no immediate capital gains tax, reduces his income tax, rebalances the portfolio ratios, and makes an impact by furthering our mission.

GIFT OF STOCK VS. CASH GIFT: AN EXAMPLE

Jerry usually gives us a \$10,000 check at year end.

This year, he decides to donate stock worth \$10,000 that he purchased eight years ago for \$1,000. Since he itemizes, having met the 0.5%-of-AGI giving floor through other itemized deductions, he can take the full \$10,000 charitable deduction for his gift even though the \$9,000 capital gain has never been taxed. In his 37% tax bracket, the tax savings are substantial, even with his tax benefit limited to 35%.

	Gift of Cash	Gift of Stock
Jerry's gift	\$10,000	\$10,000
Income tax savings (37% bracket, capped at 35%)	3,500	3,500
Capital gains tax savings (23.8% of \$9,000 gain) *	0	2,142
Tax savings generated by Jerry's gift	\$3,500	\$5,642

* Taxpayers in the highest 20% capital gains tax bracket with more than \$200,000 in income (\$250,000 for married couples) face an additional 3.8% Medicare surtax on investment income.

Changes That May Impact Your Giving

As you plan, take note of the following tax changes that are new in 2026 and could affect when and how you give:

- **A new cap on deductions for top earners.** Itemizers in the 37% tax bracket will see their deductions capped at 35%.
- **A new minimum giving threshold.** All itemizers must give at least 0.5% of their adjusted gross income before claiming a deduction.
- **A new deduction for nonitemizers.** Nonitemizers can deduct up to \$1,000 (single filers) or \$2,000 (joint filers) for cash gifts to public charities (excluding donor-advised funds).

Can a Gift of Stock Benefit You?

It's easy to find out. Gifts of appreciated stock are simple—so easy that we can give you the details over the phone. You can also request a free, no-obligation illustration that will spell out the anticipated financial and tax benefits of a hypothetical gift. It would be our privilege to provide you and your advisors with the information you need to choose a gift that ensures you enjoy maximum benefits and personal satisfaction from your generosity.