



CRAIN'S

Cleveland Business

KEEP THE CASH: Non-cash Asset Donations Can Provide Big 'Bank' for the Buck

BY LAURA J. MALONE

CHARITABLE GIVING

While a large part of wealth in the United States is tied up in various noncash assets, these assets are often overlooked when individuals make charitable gifts. Quite frequently, not gifting all or some of these assets can shortchange both the donor and their favorite charities.

Donating cash is a quick and easy way for someone to benefit his or her favorite charity. However, donating cash creates the least amount of benefit to the donor. Consider the example below of gifting cash versus stock the donor may have owned for more than a year.



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Each gift is the same dollar amount and each gift creates a charitable deduction of \$7,920 for the donor. However, by donating a stock like Apple that had significant growth in the last decade, the donor can avoid the capital gains tax and net investment income tax they may pay if they were to sell the stock. This can

trigger an additional tax savings to the donor of about \$3,570 and means that the donor really only "paid" \$8,510 for that \$20,000 gift.

Depending on the donor, this could mean more money in their pocket or they could create more charitable impact (i.e. gift \$28,400 at roughly the same cost as the \$20,000 in cash).

The same concepts can apply to other appreciated assets like mutual funds, real estate or other investments so long as the donor has held these assets for more than one year. Often, donors may use this strategy at larger dollar amounts and combine it with a donor advised fund to "pre-fund" multiple years of giving.

In short, by thinking more strategically about gifting noncash assets, donors can do more good.

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Charitable Gifts of Cash		Charitable Gifts of Appreciated Stock, etc.	
Cash Contribution	\$20,000	FMV of Stock	\$20,000
Marginal Tax Rate	39.6%	Amount Paid for Stock	\$5,000
Income Tax SAVED	\$7,920	Income Tax SAVED	\$7,920
Estimated After Tax Cost of Gift	\$12,080	Capital Gains Tax (\$15K x 20%)	\$3,000
		Net Investment Income Tax (\$15K x 3.8% Medicare Surtax)	\$570
		ADDITIONAL Tax Savings	\$3,570
		Estimated After Tax Cost of Gift	\$8,510