

Understanding Appreciated Securities

by Richard J. Letocha, Esq., CFP



Interested in making a gift that will have an impact today? A gift of appreciated securities offers an appealing mix of tax benefits and direct support for the program that is meaningful to you.

Securities are shares of common stock in companies, or units of mutual funds. Appreciated securities are those securities that are worth more today than when they were acquired. Capital gains are the difference between a security's current value and the security's cost basis, the value it had when it was acquired. When an individual sells appreciated securities that have been held for at least one year, federal taxes of 15 percent or 20 percent are paid on the capital gains. Many states also impose their own capital gains taxes.

Gifts of appreciated securities to the Student Support Network offer two compelling tax benefits: First, a donor may claim a charitable income tax deduction for the full value of the gift on the date the gift is completed. Second, by giving the appreciated securities directly to the Student Support Network, a **donor avoids paying the capital gains taxes** that would result if the donor were to sell the securities. Consider this giving example:

Ava is a Student Support Network donor who owns 1,000 shares of a publicly traded stock that is currently trading at \$50 per share, and which she purchased for \$10 per share some years ago. If Ava were to sell this stock and give the proceeds to the Student Support Network, at her current tax rate, she would pay \$6,000 in capital gains taxes on her \$40,000 profit, and would be able to make an income tax deductible gift of \$44,000. But, if Ava were to transfer the 1,000 shares directly to the Student Support Network, a tax-exempt charitable organization, she would pay no capital gains tax and could deduct the full \$50,000 value of the gift. Moreover, the program that Ava wants to support would receive the full \$50,000 value of the gift, rather than \$44,000.

Tips and Timelines for Giving Appreciated Securities

- Don't sell the securities first. The IRS will impose capital gains tax on your sale, significantly reducing the benefits to you.
- To make your gift, contact the Executive Director, Wendy Stringfellow, at wendy@studentsupportnetwork.org or 443-377-1959 or use the [online notification form](#).
- To receive the most favorable tax treatment, appreciated securities must be held by you for at least one year before donating to the Student Support Network.
- Visit our [website](#) for other ways to give.

Richard Letocha is a member of the Development Committee at Student Support Network and a professional senior gift planning advisor.

