

Stocks: A Different Kind of Gift

It's great when someone wants to make a hefty donation to your organization. It's even better when the donation can also be of real benefit to the donor. Appreciated stocks can be an example of this type of giving.

Example

One of your donors wants to be part of your capital campaign at the \$25,000 level and have her name over the lobby door.

This particular donor purchased stock in XYZ Company thirty years ago for \$1,000. The company was successful, and the stock is now worth \$25,000.

IF THE OWNER WERE TO SELL THAT STOCK in order to make that gift to you, she would pay capital gains tax on the \$24,000 profit she made. At a 15% capital gains tax rate, she would end up with \$21,400 from the sale. To reach the \$25,000 giving level with accompanying recognition she would still need to find another \$3,600.

IF SHE WERE TO DONATE THE STOCK DIRECTLY TO YOUR NONPROFIT, she could make the \$25,000 gift with those stocks, not pay any capital gains tax, still get her name in the lobby, and it will only cost her the original \$1,000 she spent 30 years ago. (Individual circumstances may vary, so donors should always consult their financial advisors prior to making a gift.)

To encourage your donors to think in this way, here are some suggestions:

- Establish a brokerage account with your financial institution so that when someone contacts you about a stock gift, you have the contact information to share as to who will be handling the stock transfer.
- Make the process clear - along with providing the contact information for your brokerage account - on your website, in newsletters and other written materials.
- Give examples from donors who have made gifts this way and stress how simple and how cost effective it was for the donor.
- Don't forget to suggest this option when talking with major donors. They may have appreciated stock that they would consider gifting, but the idea has not occurred to them.
- Be sure your finance committee has established policies on gifts of stock. Most nonprofits have policies that reflect that the stock will be sold quickly, rather than holding it, so the organization doesn't risk losing money in a downturn.

