



# GIFTS OF SECURITIES

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A gift of appreciated stocks, bonds, or mutual funds that have been held more than one year is a popular alternative to contributing cash. Through a gift of securities, you may avoid capital gains taxes on the appreciation and receive an income tax charitable deduction. Some high-income taxpayers may also avoid the surtax on net investment income.

## **WHY SHOULD I CONSIDER A GIFT OF SECURITIES?**

If your securities have appreciated in value, you have the opportunity to avoid capital gains tax that would be applied to the appreciation when the securities are sold. You may also earn an income tax charitable deduction for the full market value of the securities. With the tax savings, the “cost” of your gift to Moravian University may be much less than the actual value of the gift made—and preferable to a gift of cash. In a sense, the IRS pays for a portion of your gift!

## **HOW CAN I GIVE A GIFT OF SECURITIES TO MORAVIAN UNIVERSITY?**

If the securities are held in “street name” or electronically in your brokerage account, contact the Department of Development & Alumni Engagement for securities instructions that can be presented to your account representative. Make sure you notify us of the intended designation for use of the gift and type of securities. Caution: If your account representative sells the securities before transferring them, you may end up paying capital gains tax that you expected to avoid. Give clear instructions to transfer, not sell, the securities.

If you hold the securities as certificates, contact our office for a “stock power” form. Sign the stock power but do not enter other information or dates; our staff will enter that information based on the date we receive the documents. Mail the certificates in separate envelopes to our office.

## **WHAT IF I WANT TO CONTINUE INVESTING IN THE SECURITY?**

You can give the security and then purchase additional shares with the cash you were considering giving to Moravian University. You may avoid the capital gains tax on the charitable gift, yet continue to hold new shares with a higher cost basis (purchase price). When you eventually sell the new shares, you can take advantage of the lesser taxable capital gain—or a greater tax-deductible loss if the value decreases.

## **CAN I ALSO EARN INCOME PAYMENTS FROM MY GIFT?**

Moravian University offers a number of “life income arrangements” that allow you to make a gift while retaining an income for yourself and/or someone else. If appreciated securities are used, you may avoid or defer the capital gains taxes that you would otherwise pay. Some plans allow you to “lock in” an income that no longer depends on market fluctuations. Because some of the financial benefit is returned to you as income, the charitable income tax deduction will be less than for an outright gift of the securities.

## WHAT IF MY SECURITIES HAVE DECLINED IN VALUE?

One option is to sell the securities, enjoy a potential income tax deduction for the capital loss, and give the cash proceeds to Moravian University. An income tax charitable deduction is available for the charitable gift.

## WHAT IS THE DATE AND VALUE OF MY GIFT?

The recorded gift value of a publicly traded security is the average of the high and low selling prices on the official gift date. Gifts transferred electronically are “complete” on the date Moravian University receives the transfer, and some, such as mutual fund shares, can take up to six weeks. Gifts transferred by US mail are “complete” on the postmark date. If a certificate and stock power are in separate envelopes, the later postmark applies. If transferred by commercial courier, the applicable gift date occurs when both the certificate and stock power arrive at Moravian University.

### OPPORTUNITY

Mr. and Mrs. Smith give Moravian University stock shares valued at \$10,000 (full fair market value). The stocks were purchased several years ago for \$2,000 (cost basis).

### RESULT

### FEDERAL TAX BRACKET

|  |                       |                       |
|--|-----------------------|-----------------------|
| Capital gains (CG) tax avoided*              | <i>If 32%:</i>        | <i>If 37%:</i>        |
| Savings from income tax charitable deduction | \$1,200 (15% CG rate) | \$1,600 (20% CG rate) |
| Actual “cost” of \$10,000 gift               | \$3,200               | \$3,700               |
|  | \$5,600               | \$4,700               |

*\*Calculated are only the capital gains taxes avoided of 15% or 20%. Some donors in the 32% and 37% tax brackets may also be subject to the net investment income surtax of 3.8% for capital gains. Taxpayers subject to this surtax would avoid additional tax of \$304, resulting in an even lower cost of gift amount.*

### GIFT PLANNING TIP

Other than cash, securities (e.g., stock shares, mutual fund shares, bonds) are the most popular asset for funding charitable gifts to Moravian University.

Publicly traded securities are usually very marketable, have a clear value, and are easily transferred. Tax laws heavily favor gifts of assets that have increased in value.

### LET US HELP YOU PLAN

The Department of Development & Alumni Engagement is available to answer any questions and provide you with a confidential, no obligation illustration to show how a gift of securities would benefit you and your specific situation. As with any charitable gift agreement, we encourage you to consult with your financial adviser as well.

Contact us at 800-429-9437 (toll-free) or [legacygiving@moravian.edu](mailto:legacygiving@moravian.edu), or visit [moravian.edu/legacygiving](http://moravian.edu/legacygiving).