

## Gifts of appreciated stock: Picking favorites



You're well aware that donating highly-appreciated stock to a fund at the community foundation offers significant advantages for your clients over making cash gifts. Communicating this benefit, however, can be challenging when clients have emotional attachments to their shares.

How can you overcome this hurdle and help optimize your clients' charitable giving strategies?

Start by understanding the reasons a client might be reluctant to part with certain stocks in the first place:

- Legacy: "These shares have been in my family for generations."
- Professional: "I worked at this company for decades; it's the source of my wealth."
- Simple preference: "I just love this stock."

Emotional ties like these can create psychological barriers to effective charitable planning. There is, however, a potential solution that can satisfy both your clients' emotional needs and their philanthropic goals: The client donates shares of the highly-appreciated, emotionally significant stock to their fund at the community foundation, and then the client purchases shares of the same stock in their personal investment portfolio.

Here's why this can be such an effective strategy:

- Maximize tax deductions: Publicly-traded securities are typically deductible at fair market value (and the tax savings could potentially help fund the repurchase).
- Reset cost basis: This transaction effectively resets the cost basis of the stock in the client's personal portfolio to its current market price, potentially reducing future capital gains taxes.
- Emotional satisfaction: Clients can support charities while maintaining their shareholder status in the company they like.
- Community impact: The community foundation can sell the donated shares tax-free, thereby maximizing the proceeds flowing into the client's fund, and the fund in turn can be used to support the client's favorite causes.

As you share this strategy with a client, be sure to acknowledge the emotional value of the stock and emphasize the client's opportunity to maintain ownership in the company. Building on this, you can show the client how the tax benefits of giving stock allow the client to make an even bigger difference than if they'd given cash instead.

As always, the Chester County Community Foundation can help you assist your clients with selecting the best assets to give to charity, evaluate tax implications of various giving strategies, and structure gifts to achieve strong community benefit. We look forward to a conversation!

For more information, contact the Chester County Community Foundation:

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