

Start With Numbers: A Case Study for Charitable Clients

As an estate planning, tax, or wealth advisor, you play a critical role in helping your clients maximize the impact of charitable giving while also optimizing tax benefits. Unfortunately, a 2023 [survey](#) found that only 19.2% of advisors regularly discuss charitable giving with clients, and another 44.2% do so only occasionally.

The Chester County Community Foundation can help! Our team is here as a sounding board for everything related to charitable giving. So, when the topic arises and your clients are interested in evaluating strategies for supporting the causes they care about, just loop us in.

Of course, this still means you'll be looking for ways to bring up the topic in the first place. One of the easiest ways to do that is to talk with your clients about the [benefits](#) of donating highly-appreciated assets, such as stocks or real estate, to a fund at the Community Foundation. To help with that conversation, consider discussing the example of Alice, a hypothetical client.



Alice earns more than \$500,000 per year. She wants to make a \$10,000 gift to the Community Foundation's nonprofit emergency fund. Alice holds shares of Apple, Inc., which she purchased more than 20 years ago—and the value of the shares has increased significantly. Alice also holds plenty of cash.

Alice is weighing writing a check to the Community Foundation for \$10,000 or transferring shares of Apple stock with a total value of \$10,000.

Of course, as an advisor, you know that it's more advantageous for Alice to give the stock. But it might help to break it down into real numbers when you talk with Alice:

- Alice's annual income of more than \$500,000 lands her at a Federal marginal tax rate of 37% and a Federal long-term capital gains tax rate of 23.8% (20% plus the 3.8% Net Investment Income Tax).
- Let's assume that Alice itemizes her income tax deductions, and that Alice's cost basis in the \$10,000 worth of Apple shares is \$2,000.
- If Alice gives cash to the Community Foundation and claims a charitable deduction of \$10,000, the resulting Federal tax savings will be \$3,700, bringing the net cost of the donation to \$6,300.
- On the other hand, if Alice were to donate \$10,000 of Apple stock to the Community Foundation instead of giving cash, the tax result would be much better because Alice would avoid an unrealized capital gain of \$8,000, equating to \$1,904 in capital gains tax avoided.
- The Federal income tax savings of \$3,700, plus the \$1,904 in capital gains tax avoided, results in a net cost to Alice of \$4,396 for the \$10,000 gift.
- The upshot here is that the gift to charity is \$10,000 in either case, but giving cash "costs" Alice \$6,300 while giving stock "costs" her just \$4,396.

Of course, the benefits of donating highly-appreciated assets to the Chester County Community Foundation are just the beginning. Charitable conversations with your clients lead to many productive discussions about maximizing lifetime giving, legacy planning, involving the next generation, and so much more. Please reach out to our team anytime! We're happy to share more ideas and examples of the many ways your clients can make a difference.

For more information, contact the Chester County Community Foundation:
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The team at the Chester County Community Foundation is a resource and sounding board as you serve your philanthropic clients. We understand the charitable side of the equation and are happy to serve as a secondary source as you manage the primary relationship with your clients. This newsletter is provided for informational purposes only. It is not intended as legal, accounting, or financial planning advice.