



This information was prepared for you by Bill Eckert, CEO and President of Charitable Giving Kansas City. Bill has been working with the Cathedral as a Charitable Financial Consultant and he has been a financial advisor for over 30 years. As a practicing Catholic, it's important to Bill to show others how they can provide meaningful support to their parish, but also support them in achieving their own financial goals and in providing a legacy for their family and communities.

CURRENT GIFTS

Stock

People usually have significantly more money in stocks than they have in cash. How can that benefit you in your support of the Cathedral of the Immaculate Conception?

When people sell their stock, they're going to lose at least 15 to 20% in capital gains taxes. Alternatively, if they were to gift that stock to the Cathedral, they would receive a tax deduction on the total value of the stock and avoid all the capital gains taxes. This results in a financial win/win situation for both Cathedral who receives the funds and the donor who receives the tax deduction.

Here is a hypothetical example for illustrative purposes.

Meet Bill, a loyal Cathedral donor. Let's say that Bill has \$10,000 in cash and \$10,000 worth of Apple stock. Bill wants to donate \$10,000 to Cathedral, but he also has his son's college tuition payment coming up that will be \$10,000. Bill goes to his financial professional and asks him what is the most advantageous way to accomplish these things from a tax standpoint?



First, the financial professional says, let's look at the stock because there are two potential tax issues when gifting stock: the capital gains tax on the gained value in the stock and the tax deduction created by the gift of the stock to a nonprofit.

Capital Gains Issue

First, let's address the capital gains tax issue. There are two options for Bill with his stock, (1) he could sell the stock and donate the proceeds directly to Cathedral, or (2) he could donate the stock directly to Cathedral. Bill has \$10,000 in Apple stock that he purchased for \$2,000, the \$2,000 would be considered his tax basis. Bill has a 20% capital gains tax rate. In the first option, by selling the stock, Bill would incur a 20% capital gains tax on the \$8,000 appreciation of stock resulting in \$1,600 of taxes. In the

second option, by donating the stock directly to Cathedral, he would not incur any capital gains tax. In the first option, only \$8,400 goes to Cathedral due to the capital gains tax, in the second option \$10,000 goes to Cathedral because there is no capital gains tax.

Tax Deduction Issue

Secondly, let's address the tax deduction issue. Bill is in the 40% combined state and federal tax bracket.

There are tax deduction opportunities for Bill with these two options. If Bill selects option one and sells the stock, he would only be able to take a tax deduction on the \$8,400 he gifted to Cathedral, resulting in a tax savings of \$3,360. In the second option, by donating the stock directly to Cathedral, he would be able to take a tax deduction on the full \$10,000 of stock, giving him a tax savings of \$4,000. (The chart below shows how you arrive at these numbers.)

Example Factors	Stock Donation	Cash Donation
Combined federal and state income taxes	40%	40%
Stock Purchase Price (tax basis)	\$2,000	\$2,000
Capital Gains	Not applicable	\$8,000 (\$10,000 current value - \$2,000 original value)
Tax rate and amount for selling stock	Not applicable	\$1,600 (20% of the \$8,000 in capital gains)
Net amount to donate	\$10,000	\$8,400 (\$10,000 original value - \$1,600 in taxes)
<i>Tax savings (deduction donor can take)</i>	\$4,000 (40% of \$10,000 net amount to donate)	\$3,360 (40% of \$8,400 net amount to donate)

Bill sees how advantageous donating the stock Cathedral is for him compared to selling the stock because none of the \$10,000 stock value goes to waste. It all goes to Cathedral and he gets a larger tax deduction and thus a larger tax savings. However, Bill is still left with his son's tuition bill of \$10,000. Now Bill can use his \$10,000 in savings to pay the college tuition, meanwhile the Cathedral is still getting \$10,000 and Bill is getting his \$4,000 tax savings by donating the stock to Cathedral instead of cashing it in first and then gifting it.

For further understanding on this topic and additional ways this strategy might work for you, please contact Bill Eckert, CEO and President of Charitable Giving Kansas City, who is working with the Cathedral of the Immaculate Conception as a Charitable Financial Consultant. He may be reached at (913) 322-9177 or beckert@cgkc.us.