

# WHY MARY IS SMILING

Mary Thompson decided she wanted to be counted among those in the California-Nevada-Hawaii District who are committed to the Touching Hearts-Changing Lives campaign. Mary decided to give \$10,000 to the Touching Hearts and Changing Lives mission effort. But first, she donned her gift-planning hat.

She remembered that, usually, it's better to donate appreciated stock than write a check for the same amount. Locating a recent statement from her stockbroker, she reviewed her list of holdings. She noted that her stock in OPQ Corporation was valued at \$100 per share. Checking the evening paper, she found that the stock was still trading at that price.

Years ago, Mary purchased 1,000 shares of OPQ stock at \$10 per share. Since then, through stock splits and remarkable appreciation, her investment has increased to \$100 per share, with a current value of \$100,000.

She considered her options. If she sold 100 shares of the stock, she would have \$10,000, less the sales commission, to give the Touching Hearts-Changing Lives mission effort. However, at tax time, she would owe capital gains tax on the growth portion of the stock, the appreciation amount. Since the 100 shares had a cost basis of \$1,000, the taxable amount would equal \$9,000. Applying a capital gains tax rate of approximately 28% (Federal & State) to the \$9,000, she calculated a tax bill of \$2,520.

Now it's true she would likely be able to offset this tax with the charitable deduction resulting from her gift. But, then, the deduction would not be available to offset other taxable income.

Mary smiled. She took pleasure reminding herself that, instead of selling the stock, she could instruct her broker to transfer 100 shares directly to the church's stock account. Then, because the church is a duly qualified charitable organization, it could sell the stock without any tax on the gain. And what's more, she would receive a charitable tax deduction for the full fair market value of the stock.

If she sold the stock and gave the cash, she'd receive only the one benefit of the charitable tax deduction. But if she gave the stock directly to the charity, she'd receive two benefits: the charitable tax deduction and the bypass of capital gains.

When she discussed the idea with her accountant, he affirmed her prudence and, knowing her healthy financial condition, encouraged her to proceed. The accountant also reminded her that the charitable tax deduction of \$10,000 could only be applied against 30% of her adjusted gross income, whereas a cash gift had a deductibility ceiling of 50%. However, if she wasn't able to use all of the deduction in one tax year, she could carry forward the unused portion into the next year, up to five years.

Mary called the California-Nevada-Hawaii District Planned Giving Department and told them of her intentions. The church did not have an account with her broker, but the Planned Giving Officer said he would call the broker and arrange for a temporary account so the stock could be moved from her account to the church's account. Once the transfer occurred, the church would instruct the broker to sell the stock and mail a check, less the commission, to the church.

The Planned Giving Officer suggested to Mary that she write out her gifting instructions (including signature and date) and mail them to her broker, with a copy to the church. That's all she needed to do. Simple.

Once Mary made the gift, the broker sent a written confirmation to the church indicating that the stock had been transferred and that the broker was holding it as agent for the church, awaiting selling instructions.

Mary smiled again as she removed her gift-planning hat. She felt good about making her gift.

What about you? Do you have appreciated assets such as stocks and bonds that could make a tax-wise gift? The California-Nevada-Hawaii District's Director of Planned Giving, Brian Hyde, is available to help you think through and make such a gift. If you want further information, or if you would like a phone call or visit, please fill out and mail the form below. Or call Brian at (925) 245-4016.