# GIFTS OF PUBLICLY TRADED SECURITIES

Giving to Duke
GIFT PLANNING

Donating stocks, bonds, and mutual funds

Gifts of publicly traded securities—stocks, bonds, or mutual funds—may provide special tax advantages to individuals who wish to make a charitable gift to Duke University. By donating appreciated securities that you have owned for at least one year, you receive the same income tax savings as you would by making a gift of cash or by check; while *also* avoiding capital gains taxes on any appreciation in the donated securities.

## Benefits

Donating appreciated stocks, bonds, or mutual funds held for at least one year enables you to make a charitable gift to Duke while achieving unique tax savings.

- Claim an income tax deduction for the current full fair market value of the securities
- Avoid paying capital gains taxes on any appreciation you hold in the asset
- Donate outright or use to fund a gift that pays you an income
- Support the area(s) at Duke you care about most

## What are my options?

**Outright Gift**

Generally, if you transfer publicly traded securities that you've owned for at least one year to a qualified public charity like  Duke, your income tax deduction will be based on the fair market value of the securities on the day that Duke receives them. In addition, because you would transfer the securities to Duke directly—without selling them first—you would avoid taxes on the capital gains inherent in the donated shares.

This avoidance of capital gains taxes—combined with the income tax deduction you'd receive for your gift—essentially lowers the cost of your gift, as illustrated in the following example:

| GIFT OF $100,000 OF MUTUAL FUND SHARES (COST BASIS $80,000) | |
|---|---|
| Gift | $100,000 |
| Less: Federal Income Tax Savings (37%):<br>Less: Federal Capital Gains Tax Savings (23.8%): | ($37,000)<br>($4,760) |
| Net cost of this gift: | $58,240 |

**Assumes donor is subject to highest federal marginal income tax and capital gains tax rates and will be able to recognize entire income tax deduction. Federal capital gains tax rates include 3.8% Medicare Surtax.*

To learn more about how a gift of securities could reduce your tax bill, please consult with your personal tax advisor.

## Fixed Payments: Charitable Gift Annuity

You can make a gift of securities to establish a charitable gift annuity that would pay you a fixed income for life. Gift annuities can be established to pay one or two people for their lifetime(s), making them especially attractive for individuals or married couples seeking supplemental income in retirement. After you pass away, the remainder of your original gift will be applied to the purposes you have chosen at Duke.

When you establish a charitable gift annuity, you receive a current income tax deduction for a portion of your gift. If you fund a gift annuity with appreciated securities, you may also avoid capital gains taxes on a portion of the assets' appreciation. Any capital gains tax due will be spread out over your life expectancy, as part of each gift annuity payment you receive.

## Variable Payments: Charitable Remainder Unitrust

A charitable remainder unitrust (CRUT) is an income-generating gift vehicle that makes variable payments for your lifetime or a specific number of years. When you fund a CRUT, you are eligible for a current income tax deduction for a portion of your gift. When the trust term ends, any remaining balance is applied to the purpose(s) you have designated at Duke.

CRUTs are often funded with gifts of appreciated securities because no capital gains taxes will be due when the tax-exempt trust sells the gifted assets. The trust can then diversify the investment mix and provide income based on the gift's entire value rather than just the net after-tax proceeds.

## Repurchase the stock

The IRS prohibits taxpayers from claiming a loss on the sale of a security if that person repurchases the same stock within 30 days. This is known as the "wash sale" rule. *This rule does not apply when appreciated stock is donated to a charity.*

For example, a taxpayer could make a charitable gift using $10,000 of appreciated stock (held for at least one year), which they originally purchased for $4,000. The taxpayer would receive an income tax deduction based on the stock's current full fair market value (i.e., $10,000), avoid recognizing tax on the $6,000 capital gain, and could repurchase the same security immediately.

**Please note** that taxpayers who make a charitable gift of stock (owned longer than one year) may use the resulting income tax deduction up to 30% of their adjusted gross income (AGI) in the year of the gift and carry forward any unused deduction for up to five years if necessary. For gifts of cash, this limitation is generally 60% of AGI, with the same five-year carry forward period available.

# Connect with us to get started

Duke University's Office of Gift Planning has charitable planning professionals available to work with you and your financial advisors to explore charitable giving strategies that support your financial goals now and in the future.

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