Please note: This is a transcription so there may be slight grammatical errors.

Cathy Seeber:

It goes without saying that charitable contributions are critical for nonprofits to function, yet many organizations don't prioritize anything other than cash donations. However, other financial assets like donations of appreciated securities can allow benefactors to make larger contributions to a meaningful cause, while also reducing their tax bills. Appreciated securities are assets like stocks, bonds, mutual funds, and exchange-traded funds or ETFs, that have been held by an individual and have increased in value. Donating these securities directly to a charitable organization can be one of the most tax-efficient ways of giving.

Not only can donors who itemized their tax deductions deduct the fair market value of their gift, but if held for more than a year, they can also avoid paying capital gain taxes that would otherwise be collected on the increased value of the stock when it was sold. In other words, a donor can give a larger gift at the same or lower out of pocket cost. To better understand the value, let's compare the tax benefits of donating a long-term appreciated security to a cash gift. Assume a donor is considering a gift of $50,000 to an organization through the sale of stock, they would have to sell significantly more stock in order to net the intended gift of $50,000 when accounting for capital gains tax.

However, if they instead donate the same number of shares directly to the organization, the donor can avoid paying the capital gains tax and see more of the money go directly to their charity of choice. Donating appreciated securities is a win-win for both the charity and the donor. Think about how powerful that message is for a fundraiser. The greater the unrealized gain or the potential profit from an investment that has not been sold, the larger the tax savings. In some cases of highly appreciated assets, the tax savings alone may be more than the amount initially paid for the investment, making the gift a smart choice.

Donors with significant holdings in a single stock may be extremely receptive to this idea. For example, a prospective donor may have a lot of their wealth tied up in a single investment that they want to reduce, but they're concerned about the tax implications of doing so. Charitable contributions can be a great way for that individual to achieve their personal financial objectives while supporting your organization. Nonprofits are eligible to receive appreciated securities, as long as they have investment accounts. Electronic transfers can easily be set up through brokerage firms and other securities can be transferred through agents.

The entire process is relatively easy for the donors once it's set up. It's important for fundraisers to know that the benefits are not unlimited. The IRS imposes annual limitations on these donation amounts, currently 30% of the individual's adjusted gross income for public charities. However, donors can carry over any excess deduction for up to five additional years. Appreciated securities are a powerful tool for charitable giving. Help your donors increase their impact and their tax deduction by encouraging these types of gifts. Just think what the extra funding could mean for your organization.