

Publicly Traded Securities

A gift of appreciated stocks, bonds or mutual funds that has been held more than one year is a popular alternative to contributing cash because you can save taxes twice: by avoiding capital gain tax and by receiving a charitable income tax deduction.

Why should I consider a gift of securities?

If your securities have appreciated in value, you can avoid capital gain tax that would be applied when securities are sold. You may also earn a charitable income tax deduction for the full market value of the securities. With the tax savings, the “cost” of your gift to UF may be much less than the actual value — and preferable to a cash gift. In a sense, the IRS pays a portion of your gift.

Gift Securities in Action



Opportunity

- ▶ Mr. and Mrs. Smith give UF stock shares valued at \$100,000. Stocks were purchased several years ago for \$20,000.

Result

- ▶ Capital gain tax avoided: \$16,000
- ▶ Savings from income tax charitable deduction (39.6 percent combined tax bracket): \$39,600
- ▶ Actual “cost” of \$100,000 gift: \$44,400*

👉 Gift security tip

If you prefer to receive proceeds from selling securities, consider selling some shares and giving the remainder to UF. The charitable income tax deduction for shares given to UF can offset the capital gain tax due on shares sold.

What if I want to continue investing in the security?

You can give the security and repurchase additional shares. You may avoid capital gain tax on the charitable gift and continue holding new shares with a higher purchase price. When you eventually sell the new shares you can take advantage of the lesser taxable capital gain — or greater tax-deductible loss if the value decreases.

What if my securities decline in value?

One option is to sell the securities, enjoy a potential income tax deduction for the capital loss, and give the cash proceeds to UF. A charitable income tax deduction is available for the charitable gift.

👉 Gift planning tip

After cash, securities (e.g., stock shares, mutual fund shares, bonds) are the most popular asset for funding charitable gifts to UF. Publicly traded securities are usually very marketable, have clear value and are easily transferred. Tax laws heavily favor gifts of assets that have increased in value.

*Assumes donor is in a 20% capital gains bracket and a 39.6% income tax bracket.

Can I earn income payments from my gift?

UF offers a number of “life income arrangements” that allow you to make a gift while retaining an income. If appreciated securities are used, you may avoid or defer capital gain taxes. Some plans allow you to lock in an income that does not depend on market fluctuations. Because some of the financial benefit is returned to you as income, the charitable income tax deduction will be less than for an outright gift.

How can I make a gift of securities to UF?

If the securities are held in “street name” or electronically in your brokerage account, contact UF’s Office of Gift Planning for a securities transfer letter of instruction that can be presented to your account representative. Make sure you notify us of the intended designation for use of the gift.

Caution

IF YOUR ACCOUNT REPRESENTATIVE SELLS THE SECURITIES BEFORE TRANSFERRING THEM, YOU MAY PAY CAPITAL GAIN TAX YOU EXPECTED TO AVOID. GIVE CLEAR INSTRUCTIONS TO TRANSFER, NOT SELL, THE SECURITIES.

If you hold securities as certificates, contact our office for a “stock power” form. Our staff will help you complete the necessary information.

What is the date and value of my gift?

The recorded gift value of a publically traded security is the average of the high- and low-market prices on the official gift date. Gifts transferred electronically are complete on the date UF receives the transfer; some, such as mutual fund shares, can take up to six weeks. Gifts transferred by U.S. mail are complete on the postmark date. If a certificate and stock power are in separate envelopes, the later postmark applies. If transferred by commercial courier, the applicable gift date is when both the certificate and stock power arrive at UF.

Let us help you plan

UF’s Office of Gift Planning has a staff of professionals with resources to fully support both your investigation and implementation of gift planning techniques. Our services are confidential and collaborative, and are provided without cost or obligation.

Please contact us to assist you in exploring financial, estate and charitable planning. Or visit our interactive website at <http://giftplanning.uff.ufl.edu>.

CONTACT

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