



# ULTIMATE STOCK GIFTING GUIDE FOR DONORS

Appreciated stock offers unparalleled benefits for donors and nonprofits. We invite you to use this guide to raise awareness around the benefits of stock gifting within your giving circles. With our collaborative efforts, we can impact change for nonprofits and the communities they serve.

Updated for 2023

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# The Mission:

**Transform charitable giving by making stock gifting fast, safe, and free for all donors.**

DonateStock is excited to share a unique opportunity for you to harvest tax gains and avoid taxes while supporting the causes you care about. We hope to inform you of another way to give and to share why stock gifting is so advantageous.

As discussed in this guide, when you donate stock to your nonprofit of choice, you not only avoid capital gains tax, but you can also deduct the full pre-tax value of the donation.

The nonprofit also benefits by receiving the full value of the pre-tax gift, effectively claiming proceeds that would otherwise go to the IRS. Stock gifting simply offers the highest tax savings to donors and larger gifts to nonprofits.

This toolkit will guide you through the background, steps, and powerful results of donating appreciated stock. If you find it to be of help, please let us know and share with your friends. Working together we can help thousands of nonprofits impact millions of lives by helping donors give smart and save more.

*The Team at DonateStock*



# Why Appreciated Stock?

The stock market has created investment opportunities for millions of households. Appreciated stock represents one of the most tax-advantageous ways to support causes you love for 3 key reasons:

- Donors avoid capital gains tax on stocks held more than 1 year
- Donors deduct the full value of the stock on tax returns
- Nonprofits receive larger pre-tax gifts (vs. after tax cash gifts)

The impact may be substantial! As illustrated below, a typical \$10,000 stock gift may save the donor \$5,000 in taxes.

- Assume you own \$10,000 worth of Apple (AAPL) stock with a cost basis of \$2,000. That's a gain of \$8,000 or 400%!
- If you sell the stock and donate after-tax proceeds, 25% of the gain (\$2,000) would go to pay capital gains tax.
- If instead, you donate stock directly to the organization, you can avoid the capital gains tax.
- You may then deduct the full \$10,000, saving another \$3,000 in income taxes.



## Everybody wins when you donate stock!

Donating stock (vs. cash) saves you money—lots of it. You avoid capital gains tax while earning a bigger pre-tax deduction. In many cases the net tax benefits are greater than your original investment.

Nonprofits also receive a larger payout as they get to keep the proceeds that would otherwise go to the government.

Appreciated stock is simply a better vehicle for supporting the causes you care about.

**Want to learn more? Check out our [Explainer Video](#)**

(<https://vimeo.com/534183695>)

## Why Donate Stock Now?

According to a [2020 Giving Tuesday study](#), the Pandemic had a significant impact on individual giving. Among the findings were:

- Average cash gifts to nonprofits decreased 20%
- Average stock gifts to nonprofits increased 30%

**It's time to educate the world on charitable stock gifting.**

## While stock comprises less than 1%\* of donations...

Despite the enormous advantages of donating stock vs. cash, few investors donate stock for 3 reasons:

- Few donors understood the tax advantages
- Few nonprofits could receive stock donations
- The old way of donating stock is tedious and time consuming

\*IRS reported that only 151,000 2018 tax returns included stock. This constituted less than 0.5% of the 50 million active investors.

<https://www.irs.gov/statistics/soi-tax-stats-individual-tax-statistics>

## ...stock gifting is now fast, safe, and free!

- Anyone can register and donate stock to more than one million qualified nonprofits in minutes
- Every tax-exempt nonprofit can receive stock donations facilitated by Donatestock.com

## Stock Gifting is Primed for Growth

Stock donations are expected to explode in coming years due to several tailwinds:

- Giving by Boomers (who hold a vast majority of stock assets and comprise 43% of total giving) is accelerating
- Rapid growth in investing households, fueled by younger, socially conscious investors
- Capital gains tax rates may soon be on the rise, making stock gifting even more valuable.
- New platforms make stock gifting easy!

# Ways To Donate Stock

## Option 1: Transfer stock to Nonprofit's brokerage

The traditional process of donating stock requires that you first contact the nonprofit and ask if they can accept stock gifts. If they are among the few that have a brokerage, they can provide you with their DTC number, account number and other information you'll need. You will then have to contact your broker to find out how to execute a charitable stock transfer request. Your broker will generally require you to:

- Provide the legal name, address and brokerage account information including name, DTC number and account number
- Provide the contact info for the nonprofit
- Specify the ticker, number of shares, and purchase date of the stock you wish to donate
- Complete a stock transfer authorization form and mail, fax, or deliver it to your brokerage (email is not an option due to security reasons)
- Contact the nonprofit to let them know which shares (and how many) you are donating
- Be patient. It may take a week for your broker to transfer the stock and several more weeks for the nonprofit to reconcile the donation.

This method is time consuming and burdensome for both donor and nonprofit, which is a major reason why so few people donate stock.

## Option 2: Donor Advised Funds

Donor Advised Funds (DAF) are growing in popularity. Donors can open a DAF with a sponsored organization and contribute cash or non-cash assets into the account. These assets are liquidated and placed in the DAF. The donor can “grant” funds to the nonprofit. The sponsored organization has legal control over funds, verifies that the charity is in good standing, and sends funds to the 501c3 nonprofit. The nonprofit is not required to have a brokerage account for this option. DAFs are

typically utilized by high-net-worth households for multi-year giving programs.

## DAF Questions & Answers

### What's a sponsored organization?

- Charitable arms for national financial institutions (Examples: Fidelity Charitable or Schwab Charitable)
- Community Foundations: locally created by organizations and individuals
- Single issue DAF (these are more popular within the higher education sector)

### What's in it for the Donor?

- Donors take advantage of an immediate tax benefit when assets are directed to the fund, even if they are to be distributed over several years
- Contributions have tax-free growth potential
- Donors must distribute grant(s) to a qualified charity

With required minimums, DAFs have historically been utilized by high-net-worth individuals and family offices.

### When can you NOT use a DAF?

Due to IRS regulations, donors may not use a DAF to:

- Fulfill a pledge
- Purchase a ticket, table or admission to an event
- Purchase an item in an auction

## Option 3: Use a Third-Party Platform

A third-party platform allows donors to save time and hassle when donating stock with the added benefit of being able to support multiple causes. A centralized dashboard also makes it easier to track donations and make subsequent gifts in a secure, privacy-friendly environment. Third party platforms also make life easier for nonprofits with notifications, dashboard reporting, and reconciliation services. A user-friendly platform for donors and nonprofits can be a valuable resource for all.

# Tips for Donors

- Give with intention and support the causes that matter most to you
- Be generous with your investments: If you're fortunate enough to own appreciated stock, donating a portion of your gains can be a win-win for you and your favorite causes
- Do your homework! Screen and search across 1.2 million nonprofits using <https://charitynavigator.org>
- Avoid suspect charities. Check to see if a nonprofit is approved by the IRS at <https://apps.irs.gov/app/eos/>
- Make sure you held the stock for at least 12 months. If held less than one year, you may not be able to avoid the capital gains tax, and you may only deduct the amount of your original investment
- Keep records of your donations—The nonprofit organization will send you an acknowledgment receipt for reporting purposes
- •Consult with an accountant or financial advisor. Tax laws change each year – make sure you are in the know

\*Please note this for information only and is not legal or financial advice. Please talk to a tax professional for advice on non-cash donations.



# About DonateStock, Inc.

DonateStock is transforming charitable giving by making stock gifting **fast, safe, and free** for all donors. DonateStock makes it easy to donate appreciated stock directly to more than 1 million nonprofits with notifications and dashboard reporting. You select the charity, designate the shares you wish to donate, and we'll do the rest! It takes less than 10 minutes and there is no cost to you!

We also fill a critical gap by enabling all nonprofits to receive stock while streamlining the process of educating donors, receiving, reconciling, and reporting stock gifts.

## **Put stock in something that matters.**

Visit [DonateStock.com](https://DonateStock.com) to learn more.

