

AS SEEN IN *VARIETY*



Donations of Appreciated Stock Unlock Charitable Currency, Bring Fulfillment

By Steve Gamer

A few years ago, the Jewish Community Foundation of Los Angeles (The Foundation) ran an advertisement with an attention-grabbing headline: To open a charitable fund there, a person didn't need to be a millionaire just a *mensch* – Yiddish for a good person of integrity and honor.

As vice president of advancement at The Foundation, it is my privilege to work on a daily basis with many of our donors – both people with wealth and of comparatively ordinary means – and I can tell you with absolute certainty that being a millionaire and a *mensch* are not mutually exclusive propositions. What unites the charitable-minded is a commitment to giving back and of making the world a better place – the precept of *tikkun olam* – while ingraining philanthropy within their guiding principles.

For hundreds of our donors, their instruments of choice are donor-advised funds (DAFs) – essentially a charitable-giving account – established at and administrated by The Foundation. DAFs are among the most popular, fastest-growing philanthropic vehicles in the United States – and for good reason. DAFs allow donors to: contribute to funds that they establish, recognize a fair-market-value (FMV) tax deduction on their donations (presuming you itemize and not take the standard deduction), and then enjoy the flexibility of recommending grants to a virtual limitless range of nonprofits on their own timetable – immediately or in the future. For a comparatively small annual administrative fee, DAFs afford many benefits of a private foundation: Donors are free to experience the joys of charitable giving and focus on their philanthropic passions, while leaving all the administrative and investment management entirely to The Foundation.

UNLOCKING CHARITABLE CURRENCY

The popularity of DAFs is, in no small measure, due to the ability they afford donors to contribute other assets, besides cash, to their funds, including publicly traded stocks and bonds, real estate and ownership interests in businesses, principally LLCs, and receive that same FMV deduction on their contribution. But wait, there's more: Through gifts of appreciated assets, donors can potentially eliminate the capital-gains tax liability which you would incur if you sold the assets yourself and then donated the proceeds, prospectively increasing the amount available to charity by as much as 20 percent.

MICHELLE: FUNDING PHILANTHROPY WITH APPRECIATED STOCK

To illustrate how gifts of appreciated public-company stock can become charitable currency, consider the case of Michelle, who represents a

composite of several actual Foundation donors. A single parent with two teenagers, Michelle is a long-tenured executive with a leading, publicly traded media and entertainment company. She is fortunate to earn a healthy salary, but after retirement-plan contributions, taxes, mortgage, private school and summer camp tuitions, synagogue membership and living costs, her available dollars for charity were not commensurate with the level at which she desired to give.

Michelle's CPA pointed out that her cash donations each year – essentially what we call "checkbook giving" – were too large in relation to her cash-flow and also haphazard, not strategically implemented. The CPA then provided Michelle with an alternative – what became her "ah-ha" charitable moment.



In each of the past 15 years, Michelle has received an annual officers' stock grant of company shares as part of her total compensation. Other than drawing off some of the dividend yield from these shares, Michelle had never sold any stock, the earliest of which have appreciated nearly four-fold since her first award in 2004. If Michelle sells those shares, she stands to incur significant capital-gains taxes on the appreciation, depending how long the stock was held.

To help Michelle fulfill her charitable ambitions, her CPA suggested an alternative: She would establish a DAF at The Foundation that each year she funds with a contribution of appreciated company shares equivalent to her desired donation, thereby enabling the most favorable income-tax result each year. Generally, Michelle's oldest shares with the lowest cost-basis are contributed, eliminating the largest potential capital-gains tax liability in contrast to if she sold stock and took the proceeds.

Since establishing her DAF, each year Michelle has made a regular contribution of shares directly to her charitable fund at The Foundation. In turn, The Foundation then sells the shares and the net proceeds are available to Michelle for recommending grants from her fund. The advantages have been multi-fold: The contributed

stock affords Michelle considerable tax benefits; it's increased her personal cash-flow by reducing reliance on her salary for charitable contributions; it's brought predictability and allowed her to step up annual charitable giving; and, drawing on The Foundation's resources available to its donors, it has enabled her to become more strategic with her philanthropy, focusing on causes which are personally meaningful.

A FEW OTHER TIPS

There are a few important considerations to keep in mind if you're considering contributing appreciated assets to a DAF:

- Stock (or other assets) need to be held one year or more to eliminate capital gains on the sale and deduct the FMV of the donation.
- Upon receipt of the stock, The Foundation controls the sales process – immediately in most cases but entirely at its discretion.
- Gifting of restricted stock is possible, but any restrictions must be reviewed carefully to determine if transfer is permitted. Additionally, restrictions will affect the valuation of the stock for charitable-deduction purposes.

EXPERT IN COMPLEX ASSETS

The Foundation and its professionals possess a deep reservoir of knowledge to assist donors with charitable-gift planning related to a myriad of sophisticated assets beyond stocks and bonds. We have worked with donors and their advisers in structuring gifts of such assets as real estate, privately held business interests (including C-Corp, limited partnership and limited liability company), and private-equity fund investments, among other assets.

To explore smart charitable giving strategies – and the fulfillment that comes with it – at this time when it matters most, as well as ways to amplify the impact of your philanthropy, please visit www.jewishfoundationla.org or contact us at (323) 761-8704, or development@jewishfoundationla.org.

ABOUT THE AUTHOR

Steve Gamer is vice president of advancement for the Jewish Community Foundation of Los Angeles, which manages more than \$1.3 billion in charitable assets and distributed \$129 million in grants in 2019 to causes locally, nationally and around the world. He has 30 years of experience working with individuals, families, corporations and foundations to help them achieve their philanthropic vision.

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