

Have Appreciated Assets Like Stock? Consider donating them to HCAO



If you have appreciated assets like stocks in your portfolio and they are held in a non-qualified account—one that doesn't get special tax treatment—then you might want to consider donating those shares to HCAO rather than selling them someday.

Why consider gifting shares? Donating appreciated stock to a tax-exempt charity like HCAO could result in tax breaks for you. If you have held the stock for more than a year, you can deduct the fair market value of the stock in the year that you make the donation. If the charity is tax-exempt, it won't face capital gains tax on the stock if it sells it in the future. Again, this is all provided you donate the shares to the charity out of a non-retirement account, so not out of a qualified retirement plan like an IRA.

Four Reasons to Donate Stock to HCAO

1. Give more and avoid capital gains taxes at the same time. If you just donate cash to the tax-exempt charity, the tax benefit is certainly significant. Cash gifts are deductible up to 50% of AGI, and that lowers the net cost for a donor. But, if you donate highly appreciated stock that you have owned for at least one year, the tax benefit can be even more significant. You can deduct the full fair market value of the securities (up to 30% of your AGI) and the unrealized gains won't be taxed either. So, the more the stock appreciates, the greater the potential capital gains tax break down the road.
2. Potentially reduce future capital gains. Any appreciation of a stock's value can also set the stage for substantial capital gains when you sell. You might consider donating some of your appreciated shares then purchasing new share to reset your cost basis at the current, higher price. This helps reduce your future capital gains tax exposure if the stock continues to grow in value.
3. Give your portfolio a health check. If a review of your portfolio's gains and losses shows that it's time to rebalance to maximize performance and optimize for risk. Implementing a donation strategy puts your capital gains to work funding your philanthropy. Talk with your adviser about which assets to put to better use and when.
4. Donating stocks to HCAO is easy. To learn a little more about donating appreciated stock (and other securities) to HCAO and access the HCAO Appreciated Securities Template please [CLICK HERE](#).



Lastly, be sure to understand the federal tax rules for charitable donations. If you donate highly appreciated stock to a charity, make sure to abide by the rules set down in IRS Publication 526, **Charitable Contributions**.

Source: RBC Wealth Management