FIDELITY Charitable®
Make more of a difference

Case Study: Donating Appreciated Securities

Use your securities to make a greater impact

Matt and Veronica, a married couple with several successful investments, were thinking of donating a portion of their stock to help fund a wildlife rescue group.

At first, they considered selling the stock and donating the proceeds to the group, because that seemed like the easiest option. Although they had established a private foundation in the past and also considered that option, their advisor pointed out some of the advantages of using a donor-advised fund (DAF) to make the donation instead: the higher tax deduction limitation on the value of their securities, for starters.

Maximize your charitable giving

Their advisor noted that the tax deduction for giving their stock to the foundation would be limited to 20 percent of their adjusted gross income, while for a public charity with a DAF program the deduction limit was 30 percent—a significant difference.

Additionally, because Matt and Veronica are very private when it comes to their philanthropy, they appreciated the ability to give anonymously with a DAF, as it afforded them an extra level of privacy.

Best of all, Matt and Veronica were able to lower their tax exposure and recommend a larger grant from their DAF than they would have been able to if they had sold the shares as they originally planned.

Matt and Veronica own securities valued at: **$450,000**[1]
Original cost of securities: **$300,000**[2]
Federal long-term capital gains rate: **23.8%**[3]

	Sell securities and donate the after-tax proceeds:	Donate securities directly to Fidelity Charitable®:
Fair market value of stock	$450,000	$450,000
Long-term capital gains tax paid (23.8%)	$35,700	$0
Amount available for granting/ Charitable tax deduction	$414,300	$450,000
Charitable tax deduction	$414,300	$450,000

Matt and Veronica reduced their tax obligation[4] by: **$13,209**
Additional amount dedicated to charity: **$35,700**

Simplify your charitable giving

Using their DAF as a complement to the private foundation also presented Matt and Veronica with the opportunity to support an organization that had not traditionally been their foundation's area of focus. They simply contributed the securities to Fidelity Charitable® and then submitted an online grant recommendation to support their chosen organization, freeing up their foundation manager to focus on their other philanthropic goals.

Considerations

- By contributing appreciated securities to Fidelity Charitable, rather than selling the securities and then donating the net cash, donors can eliminate capital gains tax and the new Medicare surtax on the sale of the securities.
- Proceeds of the Fidelity Charitable sale of the securities are used to fund the Giving Account®, from which the individual can support IRS-qualified public charities during his or her lifetime and beyond.
- Donors should be eligible to claim an itemized charitable deduction on their federal tax return for the fair market value (FMV) of the long-term appreciated securities, up to 30% of their adjusted gross income (AGI).

When donating securities directly, Fidelity Charitable can:

- Simplify the process of contributing long-term appreciated securities
- Guide the entire asset transfer process
- Help realize the most favorable tax consequences with the greatest charitable impact
- Work with the advisor and donor to determine which securities might be best to contribute

Visit our website to open a Giving Account®

Give us a call to learn more: 800-262-6039

This hypothetical case study is provided for illustrative purposes only. It does not represent an actual donor, but is meant to provide an example of how a donor-advised fund can help individuals give significantly more for the causes they care about.

[1] Amount of the proposed donation is the fair market value of the appreciated securities held more than one year that you are considering donating.
[2] Total Cost Basis of Shares is the amount of money you have invested in the shares of a particular fund or individual security. It represents the basic dollar amount that, when compared to the price at which you sell your shares, tells you how much of a capital gain or loss you have realized.
[3] This assumes all realized gains are subject to the maximum federal long-term capital gain tax rate of 20% and the Medicare surtax of 3.8%. This does not take into account state or local taxes, if any.
[4] Assumes no unrelated business taxable income (UBIT), and top ordinary income tax rate of 37% for valuing charitable deduction. $13,209 reduced tax obligation calculated by comparing the tax benefit of a deduction of $450,000 at 37% versus a deduction of $414,300 at 37%. It does not account for any state and local taxes or alternative minimum tax.

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