ST. LAWRENCE UNIVERSITY

G. ATWOOD MANLEY SOCIETY

Planned Gifts: Benefits for SLU, Benefits for You

Transferring stock, bonds, and mutual funds

Make a gift of publicly-traded securities to St. Lawrence University and save income tax and capital gains tax, too.

A gift of publicly-traded securities could be right for you if:

- You own publicly-traded securities that you bought at least one year ago.
- The securities have increased in value since you bought them.
- The securities may provide you with little or no income.
- You would like to make a gift to St. Lawrence University.

How it works

- You transfer shares of one or more publicly-traded securities, such as stock, bonds, or mutual funds to St. Lawrence.
- The two most common ways to give publicly-traded securities are:
  - An outright gift for the St. Lawrence Fund or specific project or fund.
  - A life-income gift by transferring securities and receive payments for life.

Tax benefits of contributing publicly-traded securities

You can save income tax and capital gains tax when you give shares of a publicly-traded security that you have owned for a year or more.

Income tax benefit

If you have held your securities for more than one year, you may deduct from your taxable income the full fair market value of your shares as of the date of your donation, regardless of what you paid for them. Your deduction is limited to 30% of your adjusted gross income. You may, however, carry forward any unused portion of your deduction for up to five additional years.

Capital gains tax benefit

When you donate publicly-traded securities that have increased in value, and you have owned the securities for more than one year, you do not have to report any of your capital gain from the securities. If you were to sell these securities yourself, you would owe capital gains tax on the difference between the sale price and the amount you paid for them.

Example

Anne Jones would like to make a $10,000 gift to St. Lawrence University. While she could write a check for this amount, she will be able to save even more in taxes by giving stock worth $10,000 instead. After reviewing her plans with her investment advisor, she decides to give shares of a corporation worth $10,000. She paid just $ 1,000 for these shares when she bought them 20 years ago.

Benefits

Anne will earn an income tax charitable deduction of $10,000, which will save her $3,700 (37% tax). Anne may deduct up to 30% of her adjusted gross income in the year of the gift, with a five year carry-forward period.

- She will avoid tax on $9,000 of capital gain, which will save her an additional $1,800 (20% tax).
- She will gain the satisfaction of making a $10,000 gift to St. Lawrence University.

The chart below shows how making a gift with appreciated stock can save substantially more taxes than making the same size gift with cash.

	Cash Gift	Stock Gift
a. Gift Value	$10,000	$10,000
b. Income tax deduction	$10,000	$10,000
c. Income tax saved (at 37% rate)	$3,700	$3,700
d. Purchase price	-	$1,000
e. Increase in value (a - d)	-	$9,000
f. Tax avoided on gain (at 20% rate)	-	$1,800
g. Total tax savings (c + f)	$3,700	$5,500

Give securities and receive payments for life

Another option for giving securities is through a life income plan. Giving securities through a life income plan allows you to provide income for yourself or others you care about and still provide support to St. Lawrence.

Here's how it works:

1. You transfer securities to the life income plan.
2. During the term of the life income plan, the beneficiary typically receives payments from the plan each year.
3. When the life income plan ends, its remaining principal goes to support St. Lawrence.

Using securities to fund a life income plan typically will reduce your income taxes and reduce or eliminate your capital gains taxes. There are several life income plan options to choose from.

The one that is right for you will depend on a variety of factors. Please let us know if you would like to learn more.

Frequently Asked Questions

Is it easy to make a gift of publicly-traded securities? Yes. Whether you plan to give one share or one thousand shares, it is easy to give your publicly-traded securities to us.

What are publicly-traded securities? Publicly-traded securities are stocks, bonds, and other investment vehicles whose values are readily available from an established securities market. For example, stocks listed on the New York or NASDAQ stock exchanges are publicly-traded securities.

Are mutual fund shares publicly-traded securities? Although mutual funds are sold by individual mutual fund companies rather than on an exchange, the same charitable contribution rules apply to mutual fund shares as to shares of publicly-traded securities.

Should I give my securities or sell them and give the proceeds? You should transfer your securities directly to St. Lawrence. This way, you will avoid paying tax on any capital gain you have in your securities. If you sell your securities first and then give us the proceeds, you will have to pay capital gains tax on all of your capital gain, an unnecessary and potentially substantial cost to you.

What is the advantage of giving appreciated stock instead of cash? When you make a charitable gift of cash, you get a charitable income tax deduction only. When you make a charitable gift of the same value with appreciated stock, you get the same charitable income tax deduction and you avoid capital gains tax on all of your capital gain. The more highly appreciated the security, the more capital gains tax you will avoid.

What happens if I give securities that I bought less than one year ago? The charitable deduction available for property you have owned for 12 months or less, so-called "short term capital gain" property, is limited to either its current full value or what you paid for it, whichever is less. In this case, your deduction is limited to 50% of your adjusted gross income rather than the usual 30%. For example, if you give stock worth $10,000 that you purchased nine months ago for $1,000, your charitable deduction will be $1,000, not $10,000.

I'm here to answer questions and help. Please contact me at 315-229-5026, kterrell@stlawu.edu, or visit www.plannedgifts.stlawu.edu.

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St. Lawrence University

The only exceptions to the possible double-taxation are distributions from a Roth IRA or distributions attributable to contributions of after-tax dollars to other types of IRA. Because everyone's situation is different, we encourage you to seek professional legal, estate planning, and financial advice before deciding on a course of action. This information does not constitute legal or financial advice and should not be relied upon as a substitute for professional advice.

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