



A Tax Smart Way to Optimize Your Philanthropic Gift

By: Edward W. Cotney, CPhD, CExp®



If you are a donor to a charitable organization(s), would you be open to learning a strategy to “MAKE” money through your charitable gift? Hear me out as you have probably been making this tax mistake forever.

More than 90% of donors are stuck in the paradigm of giving cash to charities which is often the least tax or wealth efficient process to fund their philanthropic objective. We all do it. A worthy cause presents itself and bam, we whip out the checkbook and start writing. As a nation, we are the leaders of the free world in charitable dollars donated to worthy organizations. We are also a nation which leaves HUGE tax breaks on the table, because we were not taught how to optimize or make money on gifts to worthy charities.

Let me prove it to you.

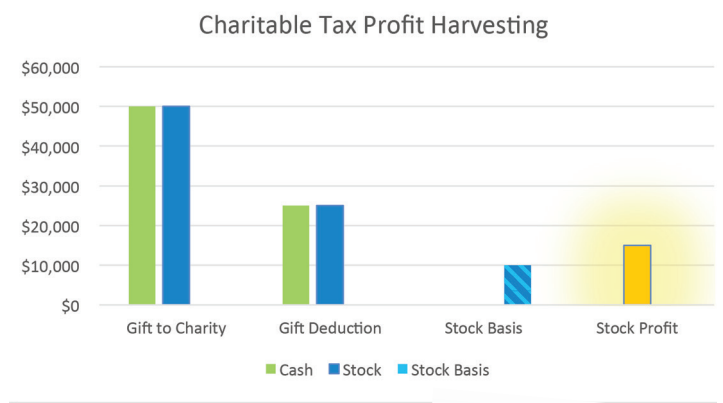
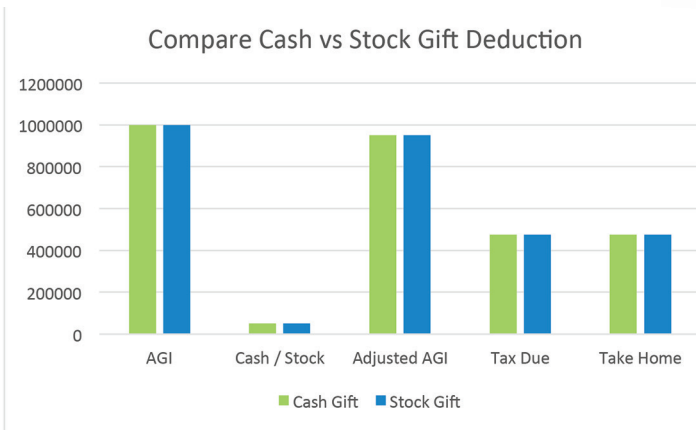
Assume you are in CA and are flirting with a combined federal and state income tax rate of 50%, with a taxable income (AGI) of \$1M. Note: I am using round numbers to simplify the importance of this strategy (your CPA can easily provide you calculations for your planned gift).

Example: Compare an AGI of \$1M, 50% combined tax rate (\$500,000 tax). The remaining spendable income is \$500,000. You have decided to donate \$50,000 to a worthy charity (501c3). (Chart 1)

Now let me illustrate your giving model using \$50,000 of CASH verse \$50,000 of HIGHLY APPRECIATED STOCK. (Chart 2)

They appear to be the identical, right? No, they are vastly different to the untrained eye.

One of these two gifts created a PROFIT of \$15,000 for you, the donor. (Chart 2)



Are you prepared for future increased income tax changes?

If not, we should talk.





How To Profit OFF the IRS When Donating to Charity!

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Here is my secret. The long-term capital gains on the highly appreciated stock had a basis of \$10,000, but worth \$50,000, the same tax-deductible value as cash deposited on IRS Form 1040, Schedule A, line 14.

Now let us compare

The cash gift of \$50,000 allowed you to capture \$25,000 of tax savings.

The stock gift of \$50,000 allowed you to capture \$25,000 of tax savings as well – but your actual cost of this \$25,000 tax benefit was \$10,000. Which means, the difference between the stock basis of \$10,000 and your actual tax deduction of \$25,000, in effect created a profit (refund) of \$15,000 for you on this gift. If your head is spinning, you are normal. This strategy represents a new paradigm, a process you can follow well into the future. I call this new shift...

Charitable Tax Profit Harvesting.

If you are using this Tax Smart Strategy, you are in essence making money off the IRS, and improving the performance of your non-qualified portfolio.

Here is my strategy for the best Tax Smart results.

- **Decide on the amount of gift** you plan to donate from your cash account. (i.e. \$50,000)
- **Consult with your tax professional** to address the efficiency and limitations for those who are making sizable current gifts, not to forget many deduction limits changed to the positive.
- **Meet with your Financial Advisor (FA)** and hand them your check for \$50,000 to buy new stock with a new basis.
- **Direct your FA** to “CULL OUT” \$50,000 of highly appreciated, but under performing stock to give to the charity. Stocks which

appear to be over weighted or have little upside future performance.

- **Your FA contacts the charity** to generate the stock transfer direct to their brokerage account.
- **Provide the gift transfer data** to your CPA - who thinks you are now brilliant.
- **Share what you did with your tax attorney.** Be advised he or she may ask you to teach a class to their clients.
- **Know this in advance.** You will be amazed how many donors and their advisors are not practicing this as the Tax Smart strategy to optimize philanthropic objectives. Be the teacher and together, let us be a part of “making” the greater good happen.

Bottom line, if you own stocks that you have held longer than one year and you are making current gifts to public charities, this strategy could make you money on the gift. Plus, your investment portfolio will be healthier, having pushed out \$50,000 of underperforming stock, thus enhancing your wealth curve. Not to mention, you now have \$50,000 of new, conceivably stronger performing stock to make you more money. Or you can give \$50,000 of cash to buy \$25,000 of tax savings and keep that underperforming stock in your portfolio and pay more tax!

In conclusion, talk to your most trusted advisors and discuss if this Tax Smart strategy could optimize your gift.

To learn more about my \$5 Billion Gift Initiative and how we plan to change giving in America, check out my web site at www.TaxSmartIRA.com. You may contact me at 530-913-0562 or Convert@TaxSmartIRA.com Follow me on LinkedIn.