



# Professional Advisors

## ARTICLE SERIES

### A Stock Strategy and 5 Solid Reasons Why It Works

Philanthropic people are passionate people. As your client relationship builds, they may share personal and emotional topics with you. Philanthropic people are also investment-savvy and want to contribute meaningfully to their community. So, when emotional ties to investments, such as stocks, are held onto for emotional reasons rather than the best financial or philanthropic benefit, it can be tricky to turn it around.

As a wealth management professional, you are aware that donating highly appreciated stock to a fund at the Community Foundation offers significant advantages for your clients over making cash gifts. In the case where the client has an emotional tie to their stock, they may not be able to recognize how it is holding them back from maximizing tax benefits and their legacy.

Your clients' reasons could be because they hold inherited shares or have company loyalty after retirement. Perhaps they may enjoy being considered a shareholder. The Community Foundation solution to offer: The client donates shares of the highly appreciated stock to open an endowment fund at the Community Foundation, and then the client purchases shares of the same stock in their personal investment portfolio.

#### Here's why this can be such an effective strategy:

1. **Emotional satisfaction:** Clients can support the charitable causes they care most about, all the while maintaining their shareholder status in the company they like.
2. **Community impact:** The community foundation can sell the donated shares tax-free, thereby maximizing the proceeds flowing into the client's fund, and the fund in turn can be used to support the client's favorite causes.
3. **Secure, sustained giving:** Generations from now, their stock shares will have a true legacy through the giving power of their endowment fund; for good, forever!
4. **Maximize tax deductions:** Publicly traded securities are typically deductible at fair market value (and the tax savings could potentially help fund the repurchase).
5. **Reset cost basis:** This transaction effectively resets the cost basis of the stock in the client's personal portfolio to its current market price, potentially reducing future capital gains taxes.

Becoming a fundholder at the Community Foundation should be a smooth, well-coordinated process. We support you in offering options from our full suite of resources.



Our Community Foundation's infrastructure, reporting practices, and compliance protocols ensure that all tax laws and other IRS requirements are met. We are **nationally accredited for our excellence** and received the Community Foundations National Standards accreditation seal.

It is our honor to help develop charitable giving plans that your clients will love. As always, we appreciate your call for philanthropic support in Chippewa County.

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CONTACT: JILL HERRIGES

EXECUTIVE DIRECTOR

(715) 723-8125

[JILL@YOURLEGACYFOREVER.ORG](mailto:JILL@YOURLEGACYFOREVER.ORG)

\*These examples are for illustration purposes only. Every client's situation is different, and therefore the tax strategy and tax impact will be different for each client. For example, these illustrations are based on federal income tax rates only, and you'll need to evaluate, among many other factors, the impact of state taxes. This newsletter is provided for informational purposes only. It is not intended as legal, accounting, or financial planning advice.