



## DONATING SECURITIES TO THE ANNUAL FUND

If you have appreciated securities that you have owned for more than one year, including stocks, bonds or mutual funds, donating these securities directly to the Annual Fund may be a better financial choice than donating cash or selling appreciated securities first and donating the after-tax proceeds. If you donate the securities directly to the Annual Fund, you generally receive a tax deduction for their full market value while avoiding the capital gains tax on the gain from the sale. What's more, you may be able to increase your gift and tax deduction at lower cash out-of-pocket costs.

Here is an example of donating appreciated stock to the Annual Fund with a cost basis (original purchase price) of \$1,000 and a current market value of \$2,500, compared to selling and giving the net proceeds or giving cash outright:

<b><u>STOCK vs CASH</u></b>	<b><u>Gift of Stock</u></b>	<b><u>Sell &amp; Give Net Proceeds</u></b>	<b><u>Gift of Cash</u></b>
Starting Value	\$2,500	\$2,500	\$2,500
Original Cost	<u>(1,000)</u>	<u>(1,000)</u>	<u>(2,500)</u>
Realized Long Term Capital Gain	\$0	\$1,500	\$0
<u>Taxes Due:</u> 20% LT Cap Gains Tax & 3.8% Medicare Surtax Paid	<u>\$0*</u>	<u>\$(357)*</u>	<u>\$0</u>
<b>Total Gift to the Annual Fund</b>	<b>\$2,500</b>	<b>\$2,143</b>	<b>\$2,500</b>

As you can see, the Annual Fund would benefit equally from the direct gift of stock and the gift of cash, as both have a market value of \$2,500. However, if you sold the securities first, then paid the capital gains taxes and donated the net after-tax proceeds, the value of the sell and give stock gift would be less than the direct stock or all cash gifts. The main difference in the three gift choices is that the cash out-of-pocket costs are substantially lower with the direct gift of stock. See the example below:

### **ACHIEVE LOWER CASH OUT-OF-POCKET COSTS**

	<b><u>Gift of Stock</u></b>	<b><u>Sell &amp; Give Net Proceeds</u></b>	<b><u>Gift of Cash</u></b>
Original Cash Cost	\$1,000	\$1,000	\$2,500
20% LT Cap Gains Tax & 3.8% Medicare Surtax Paid	\$0*	\$357*	\$0

Fed & State Tax Deduction @ 44.75%			
Combined Tax Rate**	<u>\$(1,119)</u>	<u>\$(959)</u>	<u>\$(1,119)</u>
<b>Net Cash Out-of-Pocket Costs After-Tax</b>	<b>\$(119)</b>	<b>\$398</b>	<b>\$1,381</b>

\* Net Long Term Capital Gain totaled \$1,500 taxed for individuals at a combined 23.8% tax rate. Note: **FAIS does not pay Capital Gains Taxes on gifts of stock.**

\*\* Assumes Married Filing Jointly Marginal Tax Rates: 37.0% Federal and 12.3% CA State. The Combined Marginal Tax Rate =  $.37 + ((1.0 - .37) \times .123) = 44.75\%$ . Rates do not include the CA 1% mental health tax surcharge on incomes over \$1.0 million.

## GUIDELINES

There are a few guidelines to remember when making gifts of appreciated securities:

- It is most advantageous for you to donate stocks with the largest gains.
- Stocks must have been owned for more than one year to receive the charitable deduction for the full market value. The charitable deduction for stocks held less than one year is the original cost basis.
- There must be no restrictions on the sale of the stock.
- The value of the gift is the average of the high and low market prices for publicly traded stock on the day of transfer.
- The deductibility of gifts of appreciated property is limited to 30% of your Adjusted Gross Income (AGI). Amounts above 30% of AGI can be carried over for five years.
- Many employers match the value of charitable gifts of stock as well as cash.

It is simple to transfer gifts of appreciated securities to the Charles Schwab account of the French American International School. Please complete the attached wire transfer request form with your gift and account information and send it to your brokerage firm. If you need assistance in completing the form or have additional questions, we are here to help.

Please call Francoise Monet Associate Director of Annual Giving at (415) 558-2015 or Annual Fund Volunteer, Karen Schmid CFA, of Moirai Wealth Management at (415) 981-1541.

Make a bigger impact this year in supporting the FAIS Annual Fund while minimizing your cash out-of-pocket costs and maximizing your tax savings!

*Note: The above illustration is meant to be a general overview of some of the considerations and is not intended to provide tax or legal guidance. Please consult your tax advisor to see if you could benefit from donating appreciated securities.*



FRENCH AMERICAN  
INTERNATIONAL SCHOOL  
INTERNATIONAL  
HIGH SCHOOL

## STOCK/MUTUAL FUND TRANSFER REQUEST

DATE: \_\_\_\_\_

ACCOUNT NUMBER: \_\_\_\_\_

ACCOUNT TITLE: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Please transfer the following:

NUMBER OF SHARES &  
STOCK/MUTUAL FUND NAME: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

RECEIVING FIRM: Charles Schwab & Co., Inc.  
P.O. Box 982600  
El Paso, TX 79998-2600

NAME/ACCOUNT TITLE: French American International School

DTC CLEARING NUMBER: 0164, Code 40

ACCOUNT NUMBER: #3458-2342

FURTHER CREDIT TO: \_\_\_\_\_  
(Donor Name)

SIGNED:

\_\_\_\_\_