

DID YOU KNOW...?

Did you know that the Council on Development can handle the transfer of stock from a member to a church, liquidate the stock and issue a check directly to the church? Let's review all the steps, procedures and advantages.

Did you know why this is so important for the local church? Publically traded securities make up the largest portion of (over 50%) non-cash contributions totaling more than \$23 billion annually. Charitable gifts of stock led the rebound of charitable giving in 2010 with an increase of 37% in contrast to cash gifts which only rose by 4%.

What are the advantages of giving stock including mutual funds for the individual?

- While assisting the church, the individual does not have to pay capital gains on the increased value of the stock;
- With the current strong market, increased support of the church is possible;
- Not only is there a saving of income tax on the capital gains; the full amount contributed is also a deduction when filing income tax returns;
- Gifts of stock preserves cash flow for personal expenses.

What are the advantages for the church?

- According to the Winter 2013 *IRS Statistics of Income Bulletin*, 90% of stock gifts came from persons over the age of 45 and 51% came from individuals over the age of 65;
- Reflecting on the average age of many United Methodist Church members, this can be an untapped source of revenue. This is the same age bracket protecting cash flow for daily living from their "fixed income." The church can offer a simple option for generosity;
- Providing information about this method of giving provides individuals time to plan for their charitable giving (potentially increasing) for the year including stock transfers.

What are the advantages for the church to utilize the Council on Development for these transfers?

- The church does not have to set up a separate account with a brokerage firm;
- There are no sales fees diminishing the final contribution;
- The Council on Development provides the required charitable tax reporting for the individual while providing a note of appreciation on the church's behalf;
- If the donor so desires, the gift can be anonymous.

What are the procedures?

- Either the individual or the church notifies the Council on Development of the upcoming stock transfer. Please provide the name of the stock and if possible the number of shares.
- The individual has their broker transfer the stock utilizing the following information:

Morgan Stanley
Attn: Angela Lawson
7755 Montgomery Road
Cincinnati, OH 45236
Account Name: West Ohio Conference
Account #285-105483-302
DTC # 0015
Telephone # 513-762-5291
E-mail: angela.l.geracilawson@mssb.com

As a reminder the Council on Development is not a Financial Advisor so please consult with your accountant or legal advisor.

Let us know how we can be of assistance!

COUNCIL ON DEVELOPMENT

George Cooper, Executive Director gcooper@wocumc.org (800) 437-0028 x212
Darlene Krick, Administrative Asst. dkrick@wocumc.org (800) 437-0028 x224

“Do Well (Tax Wise) When Doing Good,” by Giving the Whole Apple

Giving to one's Church is rewarding in and of itself. In addition to making cash donations, we can also donate appreciated securities. Taxpayers have long enjoyed the opportunity to make charitable gifts of stocks, bonds, mutual funds and other securities that have increased in value while bypassing capital gains tax that would be due on a sale. Tax law allows the use of paper profits to reduce federal and state income taxes, which allows us to give more by spending less.

To take a deduction for gifts of securities and other assets at their current value, the security must have been owned long-term, at least one year and a day. Such gifts are deductible up to 30% of adjusted gross income (AGI) in the year of the gift. Any unused deduction amounts may be used to reduce taxable income during the next five years until used. When giving appreciated securities or property, not only do we enjoy reduced taxable income, we also avoid capital gains tax on the appreciated value.

For example, Johnny Appleseed, VI owns 200 shares of Apple Butter Done Right, Inc., which cost \$2,000 several years ago. Today, the Apple Butter shares are worth \$10,000 and Johnny and his wife have decided to use the investment to fulfill their annual gift to the General Fund at Powell United Methodist Church and make a donation to the Endowment Fund.

If the Appleseeds sell their stock, they will realize an \$8,000 capital gain and owe \$1,200 in federal capital gains tax at the current 15% rate plus \$400 for state tax at an assumed 5% rate. If they give the full \$10,000 cash proceeds, the Appleseeds will be out-of-pocket \$1,600 at tax time. If Johnny and his wife need to hold back cash for taxes, they can only give and deduct \$8,400. Using the 25% federal tax bracket, tax savings will be \$2,100 less \$1,600 tax on the gain for a net tax savings of \$500.

(Appleseeds receive \$10,000; PUMC receives \$8,400; Appleseeds save \$500 in taxes)

If the Appleseeds contact George Cooper, Executive Director of the Council on Development of the West Ohio Conference of the United Methodist Church at 32 Wesley Boulevard, Worthington, Ohio 43085, phone 800/437-0028 extension 212, and donate their stock, they will receive the \$10,000 deduction from taxable income yielding tax savings of \$2,500 at an assumed 25% tax rate, plus avoid \$1,600 taxes on the gain. Total tax savings will be \$4,100 with \$1,600 additional giving received by Powell United Methodist Church.

(Appleseeds give \$10,000; PUMC receives \$10,000; Appleseeds save \$4,100 in taxes)

The Appleseeds will find Rev. Cooper and his assistant, Darlene Krick, most helpful in answering questions and making certain their securities are properly donated. The Council on Development's broker, Morgan Stanley, will immediately sell the Apple Butter shares. The Council will provide the Appleseeds with written confirmation of the transaction and confirm the charitable deduction for their tax records. It forward the cash proceeds to Powell United Methodist Church detailing how the Appleseeds want their donation allocated to the General Fund and Endowment Fund. Powell United Methodist Church's Financial Secretary will send the Appleseeds a warm, heart-felt thank-you letter acknowledging their generous gift.

The above example is realistic and applicable for many who own appreciated securities and choose to donate them. Oftentimes, it is possible to recover one's initial investment through tax savings. The Appleseeds reduced their taxes by \$2,500 which more than covered their initial \$2,000 investment. Donating securities requires more time than a direct sell transaction.

There are various types of property that can be donated and several tax saving strategies can be employed to meet individual giving and timing needs. At the Church's Welcome Center, you will find several brochures from the Endowment Fund offering information on ways to give as you do well when doing good.