

Utilizing Non-Cash Assets for Greater Impact

In an ever-changing philanthropic landscape, knowing what options are available and most impactful for giving can seem daunting. Donating non-cash assets is just one way that you can maximize your charitable impact.

With the vast majority of America's wealth being held in illiquid assets, leveraging non-cash options significantly expands the opportunities for impactful giving and achieving your philanthropic goals.

NON-CASH ASSET EXAMPLES



STOCKS & MUTUAL FUNDS

Stocks and mutual funds are some of the most common non-cash assets that individuals can donate to charities.

When directly donating stocks and mutual funds, you become exempt from the capital gains tax that you would normally pay when you liquidate these assets first. This means that the value of your gift becomes considerably larger compared to if you liquidated these assets and gifted the payout.

It is important to note that stock and mutual funds must be held for at least one year before being donated to fully take advantage of the tax benefits.



REAL ESTATE

Real estate is another non-cash asset that you can leverage when deciding how to expand your philanthropic impact. When donating real estate, it is important to choose a property that can be easily liquidated and marketable. If the nonprofit organization is not going to use this property directly and wishes to liquidate, it should be cost-effective to sell the property.

Much like stock and mutual funds, you will not have to pay capital gains tax and can claim a tax deduction equal to the fair market value.

The property must also be held for at least one year and be debt-free to be donated and reap the full tax benefits.



RETIREMENT ASSETS

Retirement assets such as an IRA, can be used during one's lifetime or in an estate planning strategy to efficiently and effectively give to nonprofit organizations. Known as a qualified charitable donation (QCD), once you reach a certain age, funds can be contributed directly from an IRA to a nonprofit organization. This roadmap for giving allows you to bypass the income tax that you would normally pay on the distribution from a traditional IRA while still counting toward the required minimum distribution for the year.

While distributions from a non-Roth retirement plan to a beneficiary are traditionally taxed as ordinary income, if you name a nonprofit organization as the beneficiary no income tax will be deducted. It is possible to name multiple nonprofit organizations to distribute your impact.



LIFE INSURANCE CONTRACTS

Life insurance contracts can be an enticing option when deciding what non-cash asset would be best at reaching your philanthropic goals. The premiums on life insurance contracts are often significantly less than the eventual payout, leading in turn to a larger philanthropic impact if even a portion is given to a nonprofit organization.

There are also multiple potential tax benefits associated with this option. The benefits change depending on if you choose to transfer ownership to the nonprofit organization or if you name them the beneficiary of the policy. While there are not any tax benefits to naming the nonprofit organization as the beneficiary, by transferring ownership you get tax deductions on any additional premiums and the policy is removed from your estate to lower estate tax.

If you have a policy that pays out dividends from the insurance company, these can be directed to a nonprofit organization as well and are eligible for tax deduction.

Additional non-cash assets that can be leveraged in charitable giving include:

- Privately Held Business Interests
- Farm assets
- Fine art and collectables
- Cryptocurrency

You should speak to your financial advisor and the nonprofit that you wish to donate to before utilizing any non-cash asset options to find the most effective option for both parties.

TAX BENEFIT ON APPRECIATED ASSETS

The example below explains the double tax advantage that occurs when you donate non-cash assets. Not only are you exempt from any tax on capital gains, but you also receive a larger tax benefit.

	Sell Stock & Donate Proceeds from Sale	Directly Donate Appreciated Stock
Stock Cost Basis	\$5,000	\$5,000
Current Stock Value	\$10,000	\$10,000
Gain	\$5,000	\$5,000
Tax on Capital Gains	\$1,215	\$0
Net Value Donated	\$8,785	\$10,000
Net Tax Benefit	\$2,062	\$3,730

UTILIZING A DONOR ADVISED FUND

If you are unsure of what nonprofit organization you would like to donate to, or if the nonprofit of your choice does not have the capability to handle the complexities of illiquid assets, you can also utilize a donor-advised fund (DAF). Much like donating directly to a nonprofit organization, capital gains tax does not apply when you transfer these assets to your DAF. You will also be exempt from this tax when you liquidize these assets to make a traditional cash gift.

The tax and foundation planning information offered is general in nature. It is provided for informational purposes only and should not be construed as tax or legal advice. You are encouraged to consult an attorney or tax professional regarding your specific tax and legal situation.