

Avoid Capital Gains Taxes & Give More by Stock Donation



by Yurianna Mikolay, Executive Director Ocean Reef Community Foundation

By almost every measure, 2020 will be a tragic year in the record books. Rather than dwell on the negative, I would direct your attention to three positive records set this year which are helping us to counter it. The stock market, giving and giving through Donor Advised Funds (DAFs) each reached all-time highs this year. Of course, that's no coincidence. The widespread need created by the pandemic is

driving giving across the board. The stock market is funding giving, and giving – particularly stock donation – is easiest and comes with maximum tax advantage when done through a DAF.

It's heartening to know that giving has surged during the COVID-19 crisis, surpassing donations during the 2008 recession and after the September 11 terrorist attacks according to two different reports. And it's been a remarkable year for DAFs. Both contributions to and distributions from DAFs rose significantly in 2020. For example, the dollar amounts and number of grants from National Philanthropic Trust DAFs are up 50 percent and Vanguard DAFs have made more than \$1.3 billion in grants, up 25 percent over 2019.

DAFs are always an outstanding option for an especially good financial year because you take the full tax break for donations in the year

given and can then take your time deciding how to distribute charitable donations. If the yearend donations and gifts coming and going through our DAFs are any indication, 2020 was at least a good financial year for many of our donors and they are paying it forward. Securities donation is a particularly smart option. But don't take my word for it, this "hot stock tip" comes directly from the Fidelity site:

"By donating stock that has appreciated for more than a year, you are actually giving 20 percent more than if you sold the stock and then made a cash donation. The reason is simple: avoiding capital gains taxes. The maximum federal capital gains tax rate is 20 percent on long-term holdings. Given that the Dow Jones Industrial Average rose from about 18,000 at the end of March 2015 to about 22,000 at the end of March 2020, you are likely to realize a taxable profit on the sale of assets you purchased in the past five years. But if you donate the stock directly to a charity, there's no capital gains tax to pay. Plus, you are still eligible to deduct the full fair-market value of the asset you donated from your income taxes, up to the overall amount allowed by the IRS [up to 30 percent Adjusted Gross Income through a DAF versus

20 percent when given through a private foundation]."

A DAF takes the hassle out of donating stock, which many charities cannot easily accept directly. Instead of donating multiple blocks of stock to multiple charities, make one donation to your DAF and we'll make your individual gifts through your fund on the timetable that makes the most sense for you. There is one form to file with your tax return instead of many and all your gifts will be tracked together on one statement.

The Foundation is exceptional among community foundations and commercial providers in offering DAFs at no cost and they can be opened with as little as \$10,000. To open your fund and get your 2020 tax deduction, just drop off, transfer or postmark your donation by December 31st. We can even take care of the very simple agreement naming your fund next year. To learn more or for stock transfer instructions, stop by our office on the first floor of the Ocean Reef Business Center, visit www.orfound.org, email foundation@oceanreef.com or call 305-367-4707.

MEMBERSHIP GIVING TREE

There are a few days left to help Ocean Reef Club collect holiday gifts for low income and needy children living in the Keys! If you'd like to help, you can purchase a gift for a boy or girl ages 0-17 and drop off your wrapped or unwrapped gift to the Membership Office by **Monday, December 21**.

We are also collecting \$20.00 gift cards that will be delivered to the children currently staying at the Children's Shelter in Tavernier. They really enjoy their special trips to Kmart and Bealls to purchase items that they might need while staying at the shelter!

Your generosity and holiday spirit will be much appreciated. If you have any questions, please contact the Membership Office at 305-367-5921.

