



Appreciated Securities Charitable Tax Planning Opportunity

Donating Appreciated Stock to Charity Including to a Charitable Account at Schwab Charitable Fund™

We have received a number of inquiries about donating appreciated stock to a charitable account at Schwab Charitable Fund or another public charity. The following is a summary of the tax benefits of making such a stock contribution and some timing and process considerations. Individual circumstances vary and those interested in donating appreciated securities to charity should consult with a tax advisor about their particular situation.

What is Appreciated Stock?

Appreciated securities are investments that have increased in value from the time they were purchased, and can take the form of publicly-traded stock, closely-held stock or mutual funds. For example, if a stock was purchased for \$30 per share and sold for \$50 per share, the stock has appreciated by \$20 per share. When appreciated stock is sold, the owner generally realizes capital gains equal to the appreciated portion and may be liable for either short-term or long-term capital gains taxes, depending on the length of time the investment was held.

Charitable Tax Planning Opportunity: Donate Shares of Appreciated Stock to Charity

Taxpayers who are considering current year charitable contributions and are also facing long-term capital gains taxes on appreciated stock that they have held for more than a year can realize a much more favorable income tax result and charitable impact by making a timely donation of the appreciated stock directly to charity. If a donor sells the stock first and then donates the cash proceeds to charity, the donor may be subject to capital gains taxes on the proceeds from the sale of the stock. But if a donor contributes appreciated stock held for more than one year directly to Schwab Charitable Fund or another charity, the donor can usually deduct the fair market value of the donation without realizing any capital gain.

Hypothetical Example (assuming investment has been held for more than a year)

	Sell stock & donate net proceeds (cash) to charity	Donate stock to Schwab Charitable Fund or another charity
Assumed Fair Market Value of Stock to be Donated	1,000 shares @ \$50 per share= \$50,000	1,000 shares @ \$50 per share= \$50,000
Long-Term Capital Gains Tax Paid or Avoided ¹	\$10,000 paid	\$10,000 avoided
Amount Donated to Charity (Cash or Value of Stock)	\$40,000	\$50,000
Value of Charitable Income Tax Deduction ²	\$15,840	\$19,800
Total Donor Tax Savings	\$5,840	\$19,800

¹ Assumes cost basis of \$5,000, that the investment has been held for more than a year and that all realized gains are subject to a 20% federal long-term capital gains tax rate. Does not take into account any state or local taxes, or potential Medicare surtax resulting from net investment income.

² Assumes donor is in the 39.6% federal income tax bracket and does not take into account any state or local taxes. Certain federal income tax deductions, including the charitable contribution, are available only to taxpayers who itemize deductions, and may be subject to reduction for taxpayers with adjusted gross income (AGI) above certain levels. In addition, deductions for charitable contributions may be limited based on the type of property donated, the type of charity, and the donor's AGI. For example, deductions for contributions of appreciated property to public charities generally are limited to 30 percent of the donor's AGI. Excess contributions may be carried forward for up to five years.

Timing of Your Donation and Other Considerations

- In order to realize the significant tax savings from the charitable donation of appreciated stock, donors must transfer the appreciated stock held for more than one year directly to Schwab Charitable Fund or to another charity and **SHOULD NOT SELL THE STOCK**.
- If the stock to be donated is or will be held in a Schwab account and the donor wishes to transfer it to an existing charitable account at Schwab Charitable Fund, this can be facilitated online and processed within a day. If the donor does not currently have a charitable account, one can be opened for the donor within 24 hours. Call 1-800-746-6216 or complete a New Account Application at www.schwabcharitable.org.
- Upon receipt of the stock, Schwab Charitable Fund controls the sale process. Schwab Charitable Fund's policy is generally to sell contributed securities promptly, but Schwab Charitable Fund reserves the right to sell at any time.
- Schwab Charitable Fund can accept restricted stock, including stock subject to a lock-up agreement, but such restrictions may effect the valuation of the stock for charitable deduction purposes.
- Donating appreciated stock held for one year or less or depreciated stock does not have the same tax advantages as donating appreciated stock held for more than one year. Donors who hold such stock should consult their tax advisors prior to contributing it to charity.

Additional Questions

- Call us at 800-746-6216
- Visit schwabcharitable.org

The information provided is not intended to be investment or tax advice.

Schwab Charitable is the name used for the combined programs and services of Schwab Charitable Fund, an independent nonprofit organization. The Fund has entered into service agreements with certain affiliates of The Charles Schwab Corporation.