Appreciated Stock: More Valuable Than You Think!

Here’s good news you can use: The stock market has approached historically high levels. After the market turmoil of the past few years, your stock portfolio has likely shown a significant increase in value. If you choose to sell now, you will generate capital gains tax liabilities. So an effective tax-wise planning strategy is to make a charitable gift of your long-term appreciated stock.

And how does a gift of securities fit in your overall planning? A well-constructed financial plan considers many variables—overall objectives, projected needs, tax issues, timing, philanthropic goals, retirement accounts (qualified and non-qualified), and personal investments. An integrated strategy recognizes that one aspect of your planning may have an impact on other aspects.

So if you own stock that is highly appreciated and that you’ve owned for over a year, your charitable gift of that stock can create many benefits for both NYU and for you. In addition to making a profound impact for students and faculty, a carefully planned gift can:

• eliminate capital gains taxes
• generate a substantial income tax charitable deduction
• provide a tax-wise way to meet your philanthropic goals
• create a stream of income through a life income gift plan such as a charitable remainder trust or gift annuity

A gift of stock can provide added value for you and helpful, timely support for NYU’s faculty and students. For more information about how a gift of appreciated stock can benefit you and us, return the enclosed card, give us a call, or send an email. Ask for our complimentary brochure, Maximizing Tax Savings with Gifts of Appreciated Stock, and know that your questions are always welcome.
The Bottom Line
Reason for Making a Gift of Stock: Value!

Of the many reasons why a charitable gift of appreciated stock may be appropriate, what makes it more advantageous than simply giving cash is the additional tax benefit the donor realizes by avoiding capital gains.

When a donor contributes appreciated stock that was held for over one year, he or she totally avoids capital gains tax on the appreciation of the stock—and the donor also obtains an income tax charitable deduction based on the full fair market value for that stock.

Here is how it works. Suppose that Eva wants to make a $30,000 gift to NYU. She is choosing between writing a check for $30,000 or donating stock valued at $30,000. The stock was purchased years ago for $10,000.

With either gift option, Eva is eligible for an income tax charitable deduction of $30,000 on her federal income tax return. But if Eva chooses to sell the stock rather than donate it, she would pay a capital gains tax of $3,000 (with the capital gains rate of 15%, applied to the appreciation amount of $20,000), resulting in net after-tax sales proceeds of $27,000. If Eva gives NYU the stock, however, the full $30,000 goes to support faculty and students and no capital gains tax is due. Plus, Eva will deduct the full $30,000 on her federal return (even though the $20,000 gain has never been taxed). In her 35% income tax bracket, this deduction cuts her tax bill by $10,500—resulting in more tax savings and more in her pocket.

HOW TO GIVE STOCK

It is easy to transfer stock to NYU. If the stock is held in a brokerage account, you can instruct your broker to electronically transfer the securities to an account held by us. Call us, or ask your broker to call us, for transfer code information. The gift will be effective on the date the securities are transferred by your broker, which will often be the same day you tell the broker to make the transfer.

If you have physical possession of the stock certificate, you can simply mail it to us, and—in a separate envelope—mail us an executed stock or bond power. Your gift will be complete and will be valued for tax purposes on the date it is postmarked.

Planning Tip: Your donation of appreciated stock must be a direct transfer of the shares to NYU. So make sure your broker doesn’t sell the stock and transfer the sales proceeds to NYU. Call us today and we will send you and your broker simple stock-transfer instructions.

CONTRAST: GIFT OF CASH OR GIFT OF STOCK?

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<tr>
<th></th>
<th>GIVE CASH</th>
<th>GIVE STOCK*</th>
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<tbody>
<tr>
<td>Amount of charitable gift</td>
<td>$30,000</td>
<td>$30,000</td>
</tr>
<tr>
<td>Capital gains tax payable</td>
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</tr>
<tr>
<td>Capital gains tax avoided (15% rate)</td>
<td>0</td>
<td>$3,000</td>
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<tr>
<td>Tax savings in 35% marginal tax rate</td>
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<tr>
<td>After-tax cost of gift</td>
<td>$19,500</td>
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* Stock held for several years, original purchase price $10,000.
When Bert graduated from the School of Law, he immediately started a civil trial practice. This was not common among his classmates at the time, and when he became the president of the New York Trial Lawyers Association, it was noteworthy that he was the first NYU Law alum in 30 years to reach that position. Bert was also appointed to New York State’s Advisory Committee on Civil Practice, and for much of his 22 years of service on the panel he was the sole representative of the plaintiffs’ bar.

For Bert and Annette, financial circumstances and charitable goals combined fruitfully with tax law. As a start toward building their scholarship fund, the Baumans contributed highly appreciated stock to the NYU charitable gift annuity. The gift annuity became a source of retirement income for them. And they avoided capital gains tax—leaving more value available within their gift annuity to pay them even more income.

The remaining assets from the gift annuity, combining with a legacy in their estates, will fund the Bert and Annette Bauman Scholarships to support students committed to entering public service careers. “The gift annuity has been a great arrangement for us and for the School of Law. We get an immediate income tax deduction and, whether stock values go up or down, we know that we can count on this NYU gift annuity income in the years ahead. And we’re helping law students who need help the most. All the advantages stack up to make the gift annuity the best planning arrangement for us.”

You, too, can benefit from an NYU life income gift such as a gift annuity while also helping future generations of students—and reap substantial additional advantages by making your gift with appreciated stock.
income tax deduction is based on what is projected to be available for NYU’s future use, based on Federal rates.

YOU CAN TAILOR YOUR GIFT TO YOUR NEEDS
You can design your life income gift to fit your unique financial and philanthropic needs as you support NYU.
• You can generate a fixed income or a variable income (CRT only) that may increase over time.
• You can begin income payments immediately or delay your income until a specified future date (and take advantage of even higher payment rates).
• You may direct annual income payments to yourself and/or loved ones as beneficiaries for life (gift annuity or CRT) or for a specified period of years up to 20 years (CRT only).
• You may name more than one beneficiary to receive payments (maximum of two for the gift annuity).
• You can establish your life income gift during your lifetime or through a legacy in your will.

WHY HIGH STOCK VALUES MAKE SUCH A DIFFERENCE
You can fund your NYU life income gift with cash, stocks, bonds, real property, a life insurance policy or other valuable assets. Highly appreciated but low-yielding assets are great choices for two important reasons. First, with today’s high level of appreciation, the life income gift permits you to benefit from your investment but avoid the substantial and immediate capital gains taxes that you would pay if you sell the property outright in order to reinvest the proceeds. Second, today’s low-interest market limits your reinvestment options, while life income gifts offer fixed income payments for life.
Conclusion: life income gifts are a tax-wise way to make a gift and benefit from lifetime payments.

To learn more, return the enclosed card, call, or send an email. We encourage you to consult your advisors and contact us to explore how a life income gift could be a good fit for your planning. We appreciate your support and look forward to helping you review planning options that allow you to make the right gift the right way.

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It is important that the University’s legal name be used in all wills and trusts. We recommend use of the following language: “I give, devise and bequeath [assets] to New York University, a New York education corporation with its principal office at 70 Washington Square South, New York, New York 10012.” Please contact us so we can help you draft additional language that describes how you want your legacy to be used at NYU.