

AN IMPORTANT GIFT + INCOME FOR LIFE

Perhaps you are not now in a position to give appreciated assets. You may have none to give or you may not currently be in a position to make a substantial gift. In such a case, consider making a bequest to us in your will. Every dollar we receive completely escapes the federal estate tax.

But keep in mind that you can give appreciated securities right now and still keep the right to income from the assets for as long as you live. We get the use of the property only after your death, but you receive an income tax deduction this year for the value of what you have given to us – and you minimize capital gains tax on your paper profit, even if we sell the gift property and invest in higher yield securities.

There are several paths open to you if you are interested in making a deferred gift of appreciated property. Whichever you choose, the advantages are clear:

- You avoid capital gains tax on your paper profit;
- You or your beneficiary can receive a payout for life; and
- Though we cannot use the property during your life (or life of your beneficiary), you gain an immediate income tax deduction for the present value of our deferred interest.

HOW TO MAKE A GIFT OF SECURITIES

- If the certificates are held in a brokerage account (in “street name”), have your broker contact us for instructions.
- If you possess the stock certificates, send the unendorsed stock certificates by registered mail to our office. Enclose a cover letter outlining the purpose of your gift, along with a description of the issues and the number of shares and certificates. Your gift is effective on the day you mail or hand-deliver the certificate.
- Send separately a signed “stock power” form for each certificate with the name of the issue filled in and the signature guaranteed by a broker or officer of a national bank. It is a good idea to sign a blank stock power without filling in our name, which permits us to sell the stock quickly.

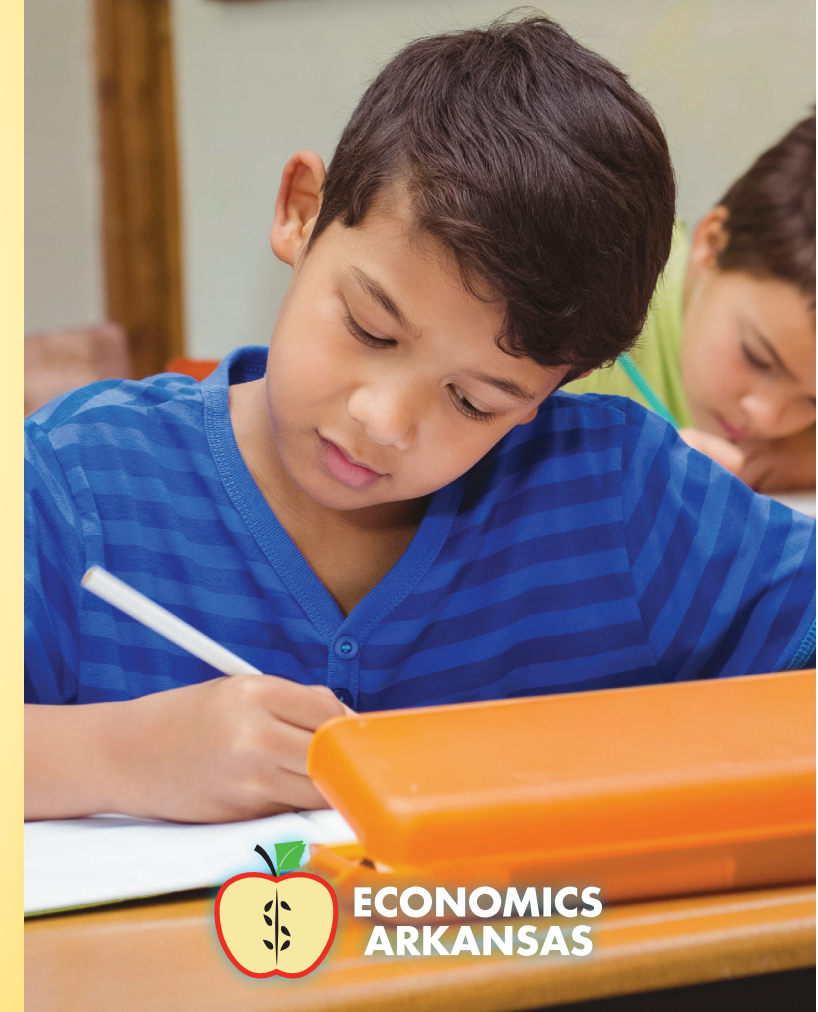


**ECONOMIC AND FINANCIAL
ILLITERACY IS A BATTLE WE CAN
WIN IN ARKANSAS.**

WILL YOU MAKE IT YOUR FIGHT?

P.O. Box 3447 | Little Rock, AR | 72203
Phone: 501.682.4230 | Fax: 501.374.5692
www.economicsarkansas.org

GIFT FOR SECURITIES



**A BEQUEST COULD BE THE
MOST IMPORTANT CHARITABLE
GIFT YOU EVER MAKE.**

WHY ARE GIFTS OF APPRECIATED ASSETS SO VALUABLE?

What is the best asset a person can give to charity? Tax-wise, gifts of securities, real estate or other assets that have gone up in value are the hands-down winners. Why? Because donors receive a double tax benefit: they can deduct the full fair market value of their appreciated assets – if owned more than one year – and they save again by avoiding all capital gains taxes on their “paper profit.”

Take the example of Mrs. Green. The stock she purchased in 1985 for \$200 is now worth \$1,000. If Mrs. Green gives the stock instead of cash, we receive a gift of \$1,000 – the fair market value of the stock – and she can claim a

\$1,000 charitable deduction on her next income tax return. In a 33% bracket, that’s a tax savings of \$330. She also avoids \$150 in capital gains and net investment taxes that would be due if she sold the stock. The result: after tax savings, a gift of \$1,000 costs Mrs. Green only \$520.

The chart below shows the tax savings from gifts of securities in various amounts where the stock has doubled in value, assuming a 15% capital gains tax rate.

PLANNING TECHNIQUES FOR GIFTS OF APPRECIATED SECURITIES

- Get the value of your listed securities. Your tax deduction for a gift of appreciated securities is fixed by the value of the securities on the day your gift is made. For

actively traded securities, value is the mean (average) between the highest and lowest quoted sales price on the date of the gift. So timing can be very important.

- Your gift is effective on the date your stock is actually transferred from your brokerage account into our account. Transfers on a high-value day mean a bigger tax deduction for you. If you plan to contribute stock in a brokerage account, please have your broker contact our office immediately.
- Don’t overlook mutual funds. Mutual fund shares can be given to us with the same beneficial effect as listed and actively traded stock. Your deduction is the public redemption value of the shares.
- Capital loss stock. If you own stock that has gone down in value, sell the stock and contribute the proceeds. You’ll receive a gift deduction plus a capital loss deduction.

Are any of the planning ideas we have discussed of particular interest to you? We would be happy to talk over all the possibilities with you and your advisers. Just send back the reply form or contact our office.

I would like to know more about planning:

- Gifts of investment assets;
- Gifts that provide me or my family with lifetime income;
- Gifts through my estate plan; or
- I am pleased to say that I have made you a beneficiary of my estate in the following manner: _____

Name: _____

Address: _____

City: _____

State: _____ Zip: _____

Telephone: _____

Email: _____



TAX SAVINGS FROM GIFT PROPERTY THAT DOUBLED IN VALUE

| Tax Bracket | 25% | 28% | 33% | 35% | 39.6% |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Current Value of Stock | \$1,000 \$5,000 | \$1,000 \$5,000 | \$1,000 \$5,000 | \$1,000 \$5,000 | \$1,000 \$5,000 |
| Income Tax Savings | \$250 \$1,250 | \$280 \$1,400 | \$330 \$1,650 | \$350 \$1,750 | \$396 \$1,980 |
| Capital Gains Tax Avoided | 75 375 | 75 375 | 94* 470* | 94* 470* | 119** 595** |
| Total Tax Savings | 325 1,625 | 355 1,775 | 424 2,120 | 444 2,220 | 515 2,575 |

*Includes 3.8% tax on net investment income on adjusted gross income above \$200,000 (single filers) or \$250,000 (joint returns).

**Includes 3.8% tax on net investment income plus capital gains taxed at 20% for taxpayers in 39.6% bracket.

Economics Arkansas is a private, nonprofit educational organization committed to promoting economic literacy to PreK-12 students in Arkansas. Economic education in our schools equips young people with the skills to achieve their full economic potential and thrive in our free-market economy, allowing them to live their own American Dream.

For more information, please call **501.682.4230**, visit www.economicsarkansas.org or email sue@economicsarkansas.org.