THE SAVVY DONOR

Office of **PLANNED GIVING**

FOUR REASONS TO NOT GIVE CASH IF YOU OWN APPRECIATED STOCK

"IT'S TITLED: 'BUY LOW, SELL HIGH, STAY DIVERSIFIED.'"

CartoonStock.com

1 *You can give a greater amount, or give less expensively*

A stock donor gets the same income-tax benefit as a cash donor, a charitable deduction, but also gets one extra: not paying long-term capital gains (LTCG) tax on the sale. The donor can use this additional savings to give a greater amount, lower the cost of making the gift, or a combination of both. The stock donor thinks, *What else in my life can I pay for with these stocks and get 100% of the market value?*

2 *You can reduce future taxes*

What if you love your stocks, and don't want to give them away?

Ask yourself two questions: A) *Is the next gift (or pledge payment) you make going to be greater than a few thousand dollars?* B) *Do you own appreciated stock in a brokerage account?* If you answer yes to both, you forgo the chance to favorably reset the cost basis of your stock portfolio every time you give cash.

Instead of writing a $5,000 check, a donor gives shares of appreciated stock worth that amount. Next the donor writes a $5,000 check to their broker to repurchase similar or new shares *at a new stepped-up cost basis*. Because of this, whenever those shares are sold in the future, whether at a gain or a loss, the donor's tax bill will be lower because of this year's move.

3 *You can improve portfolio balance*

Most investors have target percentage allocations across different asset categories (large cap, small cap, international, etc.), for the purpose of spreading around risk and return. Periodic portfolio rebalancing — often once a year — capitalizes on the cyclical nature of markets, selling winners and buying losers (no offense to the losers) to maintain the target percentage in each sector.

Making charitable gifts out of the winners and using cash to buy more losers advances this very same goal, so a charitable investor can coordinate giving with all or part of their normal annual portfolio maintenance.

4 *It's quick and easy*

If reasons 1-3 are so great, why do fewer than 6% of high net-worth donors use stocks or mutual funds in their giving? One word: convenience. (Or three words if you add: loyalty points.)

While we don't offer loyalty points, we can offer these stock instructions to facilitate your next gift to the *University of Maryland schools of medicine, law, dentistry, pharmacy, nursing, graduate school, and social work*.

Stock transfer instructions
Bank: Northern Trust
DTC: 2669
Reference: 26-57648

WHEN YOU MAKE A STOCK GIFT, PLEASE CONTACT THE OFFICE OF PLANNED GIVING AT 877-706-4406 OR *plannedgiving@umaryland.edu* TO NOTIFY US OF THE SHARES AND DESIGNATE THE PROCEEDS. STOCK AND OTHER GIFTS ARE MADE THROUGH THE UNIVERSITY OF MARYLAND BALTIMORE FOUNDATION, INC. FOR THE BENEFIT OF THE SCHOOL, DEPARTMENT, OR FUND YOU SELECT.

UNIVERSITY *of* MARYLAND BALTIMORE

Jeffrey Blum, MD ’73, Diminishes Investment Risk, Collects Income, and Restores Davidge Hall

Diagnostic radiologist Jeffrey Blum has a great affinity for the School of Medicine, and Davidge Hall is very special to him. He knew that giving options exist beyond writing checks. Since Dr. Blum retired in 2015, additional income would be beneficial to his finances, so he decided to fund a $100,000 gift that produces lifetime income, a charitable gift annuity (CGA). He would designate the proceeds to the Davidge Hall Restoration Fund.

A seesawing stock market can be beneficial to those saving for retirement, but for retirees it can be the opposite because safety and security become more desirable. Thus Dr. Blum decided to fund his CGA with appreciated mutual funds, to lock in his gains and not owe LTCG tax on the sale of shares.

The Foundation received the appreciated shares from his non-retirement account, issued a fixed lifetime CGA of $5,800 (5.8%), and Dr. Blum also received a charitable deduction of $43,373.

But there’s more to this story ...

Dr. Blum turned 70 1/2 last year, which means he must now take required minimum distributions (RMDs) every year out of a traditional IRA he owns. While the income might be desirable, it’s fully taxable: traditional IRAs distribute 100% taxable ordinary income.

Dr. Blum had heard that charitably minded IRA owners subject to RMD can donate the income and not pay tax on it, known as a **qualified charitable distribution**. Unfortunately this is not a possible funding option for a CGA.

But since Dr. Blum has a $43,373 deduction, he can now withdraw up to that amount from his IRA and net $0 income tax on it: his charitable deduction offsets his taxable withdrawal. As one final benefit, Dr. Blum used his RMD to reinvest in the non-retirement account in assets (with a new cost basis) similar to the mutual funds he donated.

“I appreciated the opportunity to train at Maryland and that’s why I give back,” says Dr. Blum. “I’m thankful for the gifts I received, and for the great education.”

EVERYONE ASKS: WHAT IS THE DIFFERENCE BETWEEN ENDOWED AND NON-ENDOWED FUNDS?

Endowed funds are meant to last forever. The amount donated into an endowed fund is invested with other endowed funds in a diverse asset portfolio managed by the University System of Maryland. The intention is that the overall endowment will earn 4 to 5% per year net of costs, and those earnings become the “spendable income” that comes out of each fund in the form of scholarships, professorships, etc. An endowed fund worth $150,000, for example, might be expected to produce spendable income of $6,000 to $7,500 for the founding donor’s designation, forever.

Non-endowed funds are not invested to earn income or stay in the account very long, because the funds are spent down — even to $0. Thus, a non-endowed $150,000 scholarship could award all $150,000 out in one year, or spread it out over several years, but the balance will only rise if the fund receives additional donations.

Most frequently, endowed funds are associated with supporting needs that will always be at our great institution: scholarships, professorships, and research. The current recommended minimum to establish a new endowed fund at the University of Maryland Baltimore Foundation, Inc. is $50,000. Non-endowed funds with special restrictions can be started with as little as $10,000. For gifts to previously established endowed and non-endowed funds, there is no minimum gift amount.

THE **UMB OFFICE OF PLANNED GIVING** HELPS DONORS MAXIMIZE GIVING TO THE UNIVERSITY OF MARYLAND SCHOOLS OF MEDICINE, LAW, DENTISTRY, PHARMACY, NURSING, GRADUATE SCHOOL, AND SOCIAL WORK, THROUGH TAX-EFFICIENT STRATEGIES AND OTHER OPTIONS BENEFICIAL TO THE DONOR. PLEASE VISIT *www.umaryland.edu/plannedgiving* OR CONTACT THE OFFICE OF PLANNED GIVING AT 877-706-4406 OR *plannedgiving@umaryland.edu*.