

## Gifts of Securities with Capital Gains - How You Benefit

Mary Smith decides she would like to make a gift of \$10,000 to The Foundation of Guelph General Hospital. Mary decides she would like to use appreciated securities to make the gift. She bought 100 shares valued at \$20 each in a publicly traded company several years ago.

Today, her initial investment of \$2,000 has grown to a value of \$10,000. Mary considers donating the shares, or selling the shares and donating the cash:

Assuming a 46% tax rate	Donate shares directly to charity	Sell stock and donate cash to charity
Current Fair Market value of securities	\$10,000	\$10,000
Cost basis (amount paid for securities)	\$2,000	\$2,000
Capital gain (\$10,000-\$2,000)	\$8,000	\$8,000
Taxable capital gain (50% of \$8,000)	\$0	\$4,000
Tax due on gain (46% of \$4,000)	\$0	\$1,840
Charitable tax receipt for gift	\$10,000	\$10,000
Donation tax credit (46% of gift to charity)	\$4,600	\$4,600
Net tax savings to donor (tax credit less tax due)	\$4,600	\$2,760
Total tax savings to donor	<b>Tax credit of \$4,600 plus \$1,840 in tax on gain avoided = \$6,440</b>	<b>Tax credit of \$4,600 less \$1,840 tax on gain paid = \$2,760</b>
Gift to charity	\$10,000	\$10,000

Mary donates the shares...