



The Diocese of Edmonton Planned Giving Office

Gifts of Securities to the Church

This is the second in a series of quarterly articles on Planned Giving topics.

Mrs. Smith, a widow in her eighties, belongs to a small parish that is struggling to pay the utility bills and the rector's stipend. Vestry is trying desperately to figure out how to raise the \$45,000 needed to replace the church roof and to decide what must be sacrificed to allow moving the roof up the priority list so that it can be completed this year.

Since her husband's death, Mrs. Smith's parish has become very important to her. She wants to help! She owns a number of publicly traded securities in a portfolio that was left to her by her late husband. Several holdings in the portfolio have sizable capital gains; for example, one bank stock now trading at \$50.00 was purchased at an average cost of \$10.00 per share.

Because she does not need the dividend income that the bank shares generate, Mrs. Smith decides to donate the shares to her parish. She could choose to sell the shares and donate the sale proceeds to the parish, or she could transfer the shares "in kind". If she donates the shares, she will not have a capital gain to declare; therefore, she makes the arrangements to transfer the shares "in kind" to the Diocese of Edmonton.

The Diocese's broker is under instructions to sell donated shares as soon as they are received and transfer the net sale proceeds to the designated parish. This enables the Vestry to award a contract for the new roof ensuring its completion this year.

The table below shows the tax savings for selling the shares and donating the sale proceeds compared with donating the shares outright:

	Sell Shares/ Donate Cash		Donate Appreciated Shares	
Market Value of Shares		\$50,000		\$50,000
Original Cost of Shares		\$10,000		\$10,000
Capital Gain		\$40,000		\$40,000
Taxable Portion of Capital Gain	50%	\$20,000	0%	\$0
Capital Gain Tax Liability	39%	\$7,800	39%	\$0
Donation		\$50,000		\$50,000
Tax Credit from Donation*	50%	\$25,000	50%	\$25,000
Tax Credit minus Tax Liability		\$17,200		\$25,000
Benefit of Donating Securities				\$7,800

* If Mrs. Smith cannot use the tax credit in the year she makes the donation she can claim it in the following five years.