

How Stock Donations Can Skyrocket Nonprofit Fundraising



Plus 6 Tips
to Attract More
Stock Donations to
Your Nonprofit



BACK IN 2020, you may have heard about billionaire Jack Dorsey [pledging to donate \\$1 billion](#) worth of stock in his company Square. This headline piqued the interest of donors and nonprofits alike, many of whom didn't realize this was even a possibility. Not taking advantage of this unique giving option means donors may be losing out on tax rewards, while nonprofits are potentially receiving smaller donations.

Celebrities aren't the only people choosing to gift parts of their portfolio to their favorite nonprofits. A growing number of people are utilizing donations of stocks to maximize their impact while decreasing their taxes owed.

So don't be too sad if Elon Musk didn't call your nonprofit when he [donated nearly \\$6 billion in shares of Tesla](#) to charity in 2021. What you should consider is if he *had* called you:

WOULD YOU HAVE BEEN READY?

WOULD YOU KNOW EXACTLY WHAT TO DO AND WHO TO CALL TO FACILITATE A QUICK AND EASY DONATION PROCESS?

Elon (or his people) doesn't seem like the type that has time to waste.

In this article, we explain the benefits of stock donations, how to prepare for these types of gifts, and give you six tips to attract more stock donations to your nonprofit.

CAN A CHARITY RECEIVE STOCK DONATIONS?

Yes, nonprofits can own and receive donations of stocks. This is great news for nonprofits who know the importance of investing, diversifying, and planning for the future. This is also great news for donors who have appreciated assets and would like to save on their taxes as well as make a larger impact.

By making this option available at your nonprofit, you add yet another major gift revenue stream. Donations of stock are much more tax efficient since they remove capital gains taxes and are usually fully deductible (if held longer than a year).*

WHAT IS CAPITAL GAINS TAX?

To fully understand the financial benefit of stock donations from a donor standpoint, you must understand what a capital gain is. [Capital gains](#) refer to the increase in value of an owned asset. Capital gains are generally realized when the asset is sold. [Learn more about realized and unrealized profits here.](#)

When an individual sells stocks that have appreciated in value over time, they are subject to [capital gains taxes](#). The amount of capital gain is determined by subtracting the original purchase price from the sale price.

Let's say Tony purchased 200 shares of stock for \$100 a piece. He holds onto these shares for ten years, and they are now valued at \$300 per share. Tony could sell his 200 shares, but he will have to pay capital gains taxes.

200 SHARES X \$100 = \$20,000 PURCHASE PRICE

200 SHARES X \$300 = \$60,000 SALE PRICE

\$60,000 - \$20,000 = \$40,000 ELIGIBLE FOR CAPITAL GAINS TAX

The [capital gains tax rate depends](#) on how long you hold the stock, your annual taxable income, and other factors. For this example, we will use the 20% Capital Gains Tax Rate.

\$40,000 X 20% = \$8,000

That means Tony would be required to pay \$8,000 in capital gains taxes after the sale of his stock.

HOW DOES THE DONOR BENEFIT FROM DONATING STOCK?

THEY AVOID CAPITAL GAINS TAXES

As noted above, if a donor sells appreciated stocks, they will owe capital gains taxes. *However, when making a donation of stock, the donor pays no capital gains tax on the stock donated.*

In the example above, Tony would not have to pay the \$8,000 owed to the IRS if he donated the stock instead of selling it. Meaning that is an extra \$8,000 for the charity! Tony can make the full donation of \$60,000 in a transfer of stock shares.

Some donors want to take advantage of the benefits of donating stock, but want to keep their portfolio the same. To do so, individuals donate their appreciated stocks, claim the tax benefits, and then repurchase the shares the same day. That's because when donating stock, donors are exempt from the ["wash sale" rule](#).

The "wash sale" rule exists to keep people from selling stocks, deducting the capital loss on the sale against the capital gain, and then immediately repurchasing the stock to maintain their holding. *But when the stock is donated, it does not qualify for this exemption, meaning they do not have to wait 30 days to repurchase the stock.* When the stock is repurchased, they essentially reset their purchase price at the current value to decrease their future capital gains.



THEY CAN WRITE OFF THE FAIR MARKET VALUE OF THE STOCK

When an individual makes a donation of stock, they are able to write off the full fair market value, or current value of the stock. This results in a higher tax write off, assuming they itemize.

In the example above, Tony would be able to write off the full fair market value of the stock (the sale price of \$60,000) and reduce his taxable income. If he had sold the stock and then donated the money, he could only write off \$52,000.

In addition, state income taxes and additional surtaxes can add further tax burden on the donor if they were to sell the stocks. By donating the stock, the money that would have been paid to the IRS and other governments, instead may go directly to the charity.

IT CAN PUSH THEM OVER THE ITEMIZATION THRESHOLD

Recent tax laws have raised the standard deduction, meaning that donors need to hit a higher dollar amount to itemize donations and get a charitable deduction for them. If they donate stock and are able to make a larger donation because they do not have to pay capital gains and other taxes, it may push them over the IRS threshold and allow them to itemize deductions on their taxes.

THE DONOR CAN MAKE A GREATER IMPACT

By saving the donor a significant amount on taxes, you can create a larger donation for your organization. The donor is able to make a greater impact on your cause, and therefore promote more good in the world.

What could you do if your largest donor gave 35% more? Share the vision of what your organization could accomplish with those additional funds. Champion the donor as the only person who can help you!

Saving on taxes may allow the donor to give at a significantly higher level than they would otherwise, causing them to join a higher level in your giving society. This will strengthen their connection to your organization and continue to grow their love for your mission!

TIP: *Don't have a giving society? According to Philanthropy Daily, nonprofits that have a donor club and consider it an important part of their fundraising efforts have an average per-donor contribution level 49.6% higher than those that don't!*

HOW DOES YOUR NONPROFIT BENEFIT FROM ACCEPTING STOCK DONATIONS?

As noted before, donations of stocks require less taxes to be paid, ideally resulting in a higher donation to the organization. The best part is when the nonprofit decides to sell the investment, [they are not required to pay capital gains taxes](#) (assuming they are a registered 501c3 and current with the IRS compliance). A larger income allows you to do more of what you do best: serve your mission!

If you are only accepting cash gifts, you are missing out on a lot of donation potential! In fact, [a study by Dr. Russell James](#), professor in the Department of Personal Financial Planning at Texas Tech University, found that less than 5% of household wealth owned by Americans is held in cash. If you are only asking for cash, you are already setting yourself behind by limiting your potential to only 5% of all household wealth.

The publication by Dr. James, titled *Cash is Not King in Fundraising: Results from 1 Million Nonprofit Tax Returns*, analyzed data from over 1 million nonprofit tax returns filed from 2010-2016.

THEY FOUND ORGANIZATIONS THAT REPORTED ONLY ACCEPTING CASH GIFTS EXPERIENCED AN AVERAGE TOTAL GROWTH IN CONTRIBUTIONS OF 11% FROM 2010-2015, BARELY KEEPING UP WITH TOTAL INFLATION OF 8%. IN CONTRAST, THOSE REPORTING ANY NONCASH GIFTS OF SECURITIES IN THAT TIMEFRAME GREW THEIR CONTRIBUTIONS ON AVERAGE 66% OVER THE SAME FIVE YEAR PERIOD.

Investment portfolios are oftentimes larger than an individual's bank account, allowing them to give more generously. In addition, people are more likely to spend irregular, unearned gains (e.g. capital gains on appreciated assets) on philanthropy than they are regular, earned income (Reinstein & Reiner, 2012; Konow, 2010).

In framing a donation as a unique event, it removes the decision from their current disposable income to their overall wealth. In doing so, the donor has a higher threshold for giving and is more likely to give at a higher level (Sussman, Sharma, & Alter, 2015).

TIP: *Verify what stock the company is in before accepting the donation. You'll want to make sure the company and industry align with your mission and values. You don't want to be caught holding stock in a company with litigation or human rights problems. Want to learn more about ESG Investing? **Contact Carnegie to speak to an advisor** or Read our post here!*

You can read an Executive Summary of Dr. Russell James' study here or Click here to watch Dr. James present on his research.



HOW TO PREPARE TO RECEIVE A STOCK DONATION

1 In order to accept a stock donation, you must have a brokerage account. Work with your nonprofit investment advisor to ensure everything is in place, as financial and tax regulations change regularly.

If your organization owns investments, it is important to create an [Investment Policy Statement](#). This is a policy written to outline your investment plan and goals and is essential for organizations with investments. This document will also guide you when building your stock donation program.

AT CARNEGIE INVESTMENT COUNSEL, WE CAN HELP YOU CRAFT YOUR INVESTMENT POLICY STATEMENT AS PART OF OUR OVERALL SERVICES. [**CONTACT US TODAY!**](#)

2 Designate an individual or team that is in charge of stock donations. This person must be accessible to potential donors, understand the process, and be able to effectively communicate that process to the donor.

It is ok if you have a small team, this doesn't have to be their only responsibility. But at least two people should fully understand the process in order to provide checks and balances throughout the process. Who will be responsible for tracking, recording, and acknowledging stock gifts? We recommend having one team member from your finance department and one team member from your development team to facilitate the transfer.

3 Create a stock donation process for your organization. Work with your nonprofit investment advisor to understand what needs to happen for a donation of stock to be legal and complete. Document the process from start to finish and clearly define roles and responsibilities. Give all team members involved a copy of the process and the contact information for your nonprofit investment advisor that they can access if they have questions.

4

Create a **stock donation information packet or landing page** that includes necessary information the donor will need if they inquire about making a donation. Having this information ready when a donor reaches out can increase conversion rates. It will also give you a leg up on the other nonprofit the donor called who didn't have any of this available for them!

INFORMATION SHOULD INCLUDE:

- | Designated Nonprofit Team Member's Contact Name and Information
- | Nonprofit Investment Advisor's Name and Contact Information
- | The donation process laid out in easy steps (*make it very easy for them!*)
- | DTC Information (*not posted publicly, see below for more info*)
- | How they can obtain a stock transfer form for their broker
- | Impact statement: remind them why they should follow through and make the donation!

5

Create your stewardship plan. Donors who donate stock have a high potential to be recurring major donors. Remember to check in with them throughout the year and update them on the impact of their gift. A yearly gift of stock could be in your future!



HOW TO ATTRACT MORE STOCK DONATIONS TO YOUR NONPROFIT

TIP 1: HAVE A PROCESS AND UNDERSTAND IT

Clearly documenting your process will ensure that everything is covered and everybody is on the same page. This will decrease confusion later about who is responsible for certain tasks. It will also be helpful for the staff that work at your organization in the future after you're gone!

Make the process as easy as possible for the donor. Try walking a colleague through the process as you would present it to a donor and ask for their feedback. Create the necessary forms and communications for each phase of the donation ahead of time. This includes emails, thank you form letters, brochures, landing pages, "how-to" rack cards, etc. This will ensure a quick and efficient process and higher conversion rate of donors. If the process is complicated or long, your donor may walk away without making the donation!



Having a plan to follow will help increase conversions of stock donations, but every situation is different. For instance, when a private stock is being donated, it will need to be appraised by a broker or financial institution. Work with your nonprofit investment advisor to understand what needs to happen in individual cases. [Contact Carnegie Investment Counsel](#) to have an advisor on your team!

TIP 2: LET PEOPLE KNOW IT IS AN OPTION

It's important to include stock donations in your overall fundraising and communication plan. Most donors don't know this is even an option, or all the tax benefits it has. Every time a donor liquidates their stocks to make a donation in cash, they are decreasing the impact of their gift. Talk about it loud and often so all your donors are aware of this great opportunity!

Clearly communicate how easy it is and what next step the donor should take. Include a section on donating noncash assets in your donor welcome series. Talk about it at your next fundraising event by highlighting a story that was made possible because of a stock donation. Invite your nonprofit investment advisor to your fundraiser or board meeting to talk with major donors and be available to answer questions. Add it to your [remit envelope](#) and email signatures. If it isn't listed, donors may assume you don't offer that option without even asking!

Don't wait until the end of the year to start talking about stock donations. People need to hear something several times before it registers in our overstimulated brains. Encourage people to donate early. The end of the year is a crazy time, but is critical to get desired tax deductions. Transfers of stock can take a few days to a few weeks, and should be planned ahead of time. Make sure your donors are aware of this so they are able to make necessary arrangements.

When discussing unique ways of donating, consider acknowledging to the donor that this option is new and different than many people are used to. Nobody likes feeling old or out of the loop, and our automatic defensive traits can easily turn on high alert when feeling self conscience.

You could share a story from another donor to lower their guard. "Mary Lou was really surprised by how beneficial a gift of stock was for both her and the mission. Here is why donating stock is different from donating cash." By doing so, you disarm the danger of something new by acknowledging that it was beneficial for somebody similar to them.

TIP 3: CREATE A WEBSITE LANDING PAGE

Create a landing page on your website for stock donations (or all non-cash assets). Have an easy URL slug and QR code to access the page from brochures, email signatures, outreach and fundraising events, etc.

We don't suggest putting all of your transfer information online for the donor to complete on their own. With fraud rates through the roof, it's important to protect private information. In addition, if a donor initiates and completes the transfer without any communication to the nonprofit, the organization will have no way of tracking who this money came from. That means the nonprofit cannot properly thank the donor or steward them to increase future gifts.

By posting all your transfer information online, you are saying "just give us the money and don't bother us." This is very impersonal and can dampen the donor's experience with the organization. It could even stop the donor from making the donation all together. When a development professional is able to talk with the donor, they have the opportunity to build a relationship, educate them on new aspects of the organization, and even increase the gift amount!

You can still create an easy to complete process that adds a layer of security, gives donors quick access to information, and allows you to collect the necessary details. Instead of posting your account numbers, brokerage information, and other private data, build a landing page with a form the donor can fill out to begin the transfer process or submit if they have questions.

POSSIBLE DATA POINTS TO COLLECT INCLUDE:

- | Donor Name and Contact Info
- | What kind of shares they are transferring
- | Date they would like to make the transfer
- | Has the stock been held for longer than a year?
- | Has the stock gone up in value?
- | Their financial advisor's information

Once they have submitted the form, they can be redirected to a secure page or receive an automated email with your DTC information that they can use to begin the transfer. After you receive the response form, you can reach out to ensure the donor is following through with the donation and answer any questions.

Here are a few examples of landing pages for stock donations:

[Red Cross Stock Donation Landing Page Example](#)

[Save the Children Landing Page Example](#)

TIP 4: USE SOCIAL PROOF

When talking to donors about stock gifts, emphasize why it is beneficial, how easy it is, and that other donors like them have chosen to give that way too.

[You can use your Form 990](#) to highlight how other donors have chosen to make special gifts. Share a specific story that was only made possible because of a gift of stock. Framing it in this way lowers the pressure of asking and shines a positive light on the possibility.



In fact, in his research mentioned above, Dr. Russell James found an interesting fact. In a study, donors were presented with two different scenarios:

GROUP 1: *"This is how Sara benefited from establishing a Charitable Gift Annuity..."*

GROUP 2: *"This is how you might benefit from a Charitable Gift Annuity..."*

The donors in Group 1 consistently made larger gifts. If you can match the age in the example with how old the donor is, the amount will increase even more! Sharing stories that show people similar to them choosing stock donations will signal to their brain that this is a viable option.

TIP 5: START WITH YOUR BOARD

When you're starting out, why not turn to your biggest fans? Start by introducing this new donation option to your board members. They probably know of somebody that could benefit from making a stock donation, and might even decide to do it themselves! Ask them for referrals as you start up this revenue stream and keep it at the top of their mind. Educate them on the potential growth for your organization and the tax benefits that come with it. **Send them a copy of this article in preparation for your next board meeting to help them see for themselves!**

TIP 6: STEWARD TO INCREASE FUTURE GIFTS

Sending a thank you to your donor is important but can be missed because it is outside the normal donation process. Along with the thank you, include a tax receipt with the date of the transfer, the value of the donation, the number of shares donated, and the stock's ticker name. We recommend sending handwritten thank you letters to major donors to add a personal touch and elevate the donor's experience.

Turn this donation into a recurring donation! Donors of non-cash assets show a special interest in your organization and therefore have a high chance of becoming a repeat donor. Build a relationship with these donors to increase the likelihood of a recurring donation. Use your Customer Relationship Management (CRM) system to set reminders to follow up and update them on their gift's impact.

The best way to keep up engagement is to segment these donors and create a communication plan. This doesn't have to take up a ton of time or resources! Sending a quarterly email and making calls a few times a year to stock donors will take a small amount of time comparatively to the outcome it can produce in building relationships and increasing donations!

WHY YOU SHOULD ACCEPT STOCK DONATIONS

Stock gifts are one of the most tax-savvy ways to give, significantly reducing the amount of tax owed by the donor. In order to open your organization up to an entirely new revenue stream (that happens to be much larger than cash donations), create a process and educate your donors on this unique donation option.

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CRAFT YOUR INVESTMENT POLICY STATEMENT AS PART OF
OUR OVERALL SERVICES. [CONTACT US TODAY!](#)**

**It is important to note that the stocks donated must be held by the donor for at least one year. This is because [capital gains on shares held less than a year](#) are taxed as ordinary income rather than the more favorable long-term capital gains tax rate. In addition, donors can only receive a charitable deduction for the fair market value, or current price of the stock, if they've held it for more than a year. If they've held it for less than a year, their deduction is limited to the cost-basis - or what they paid for the stock - not its current value.*

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September 2022