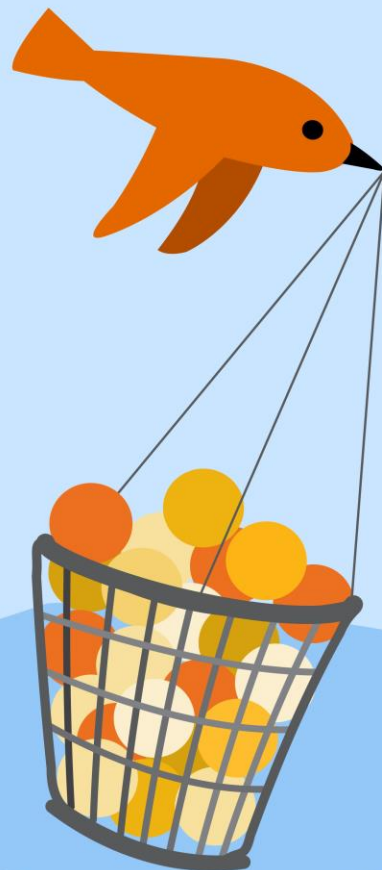


A tale of two gifts:

The best and worst
contributions of
private business
interests to charity

May 17, 2024




SCHWAB
CHARITABLE™

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Meet our guests:



Christine Lim

Senior Manager,
Charitable Consulting

Schwab Charitable™



Eric Joranson

Senior Manager,
Charitable Strategies Group

Schwab Charitable



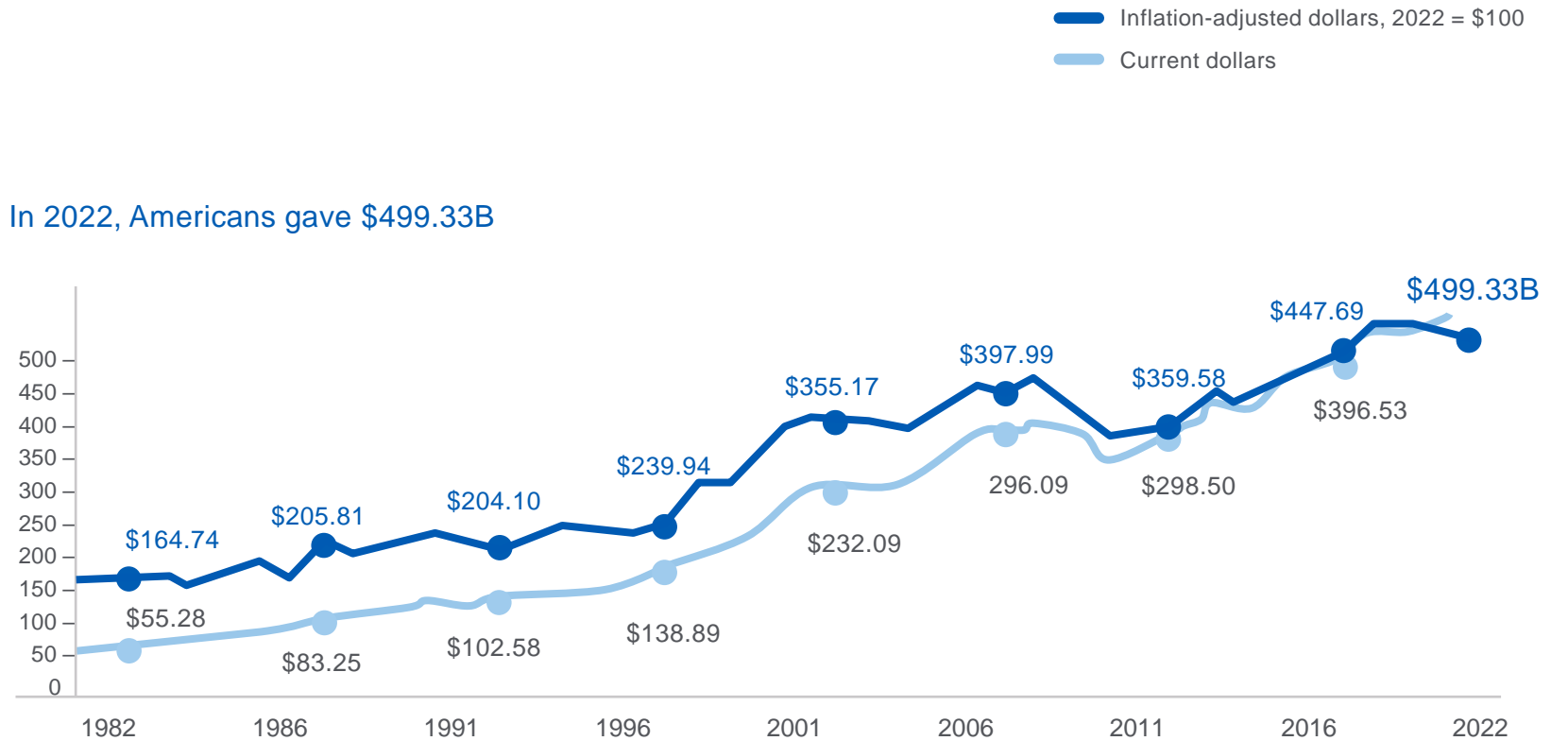
Today's agenda:

1. The current giving environment
2. Who, what, when, why and how of non-cash asset gifts
3. Case study #1: Crystal
4. Case study #2: Gregory
5. Resources and Q&A



Charitable giving remains strong in the U.S.

In 2022, Americans gave \$499.33B

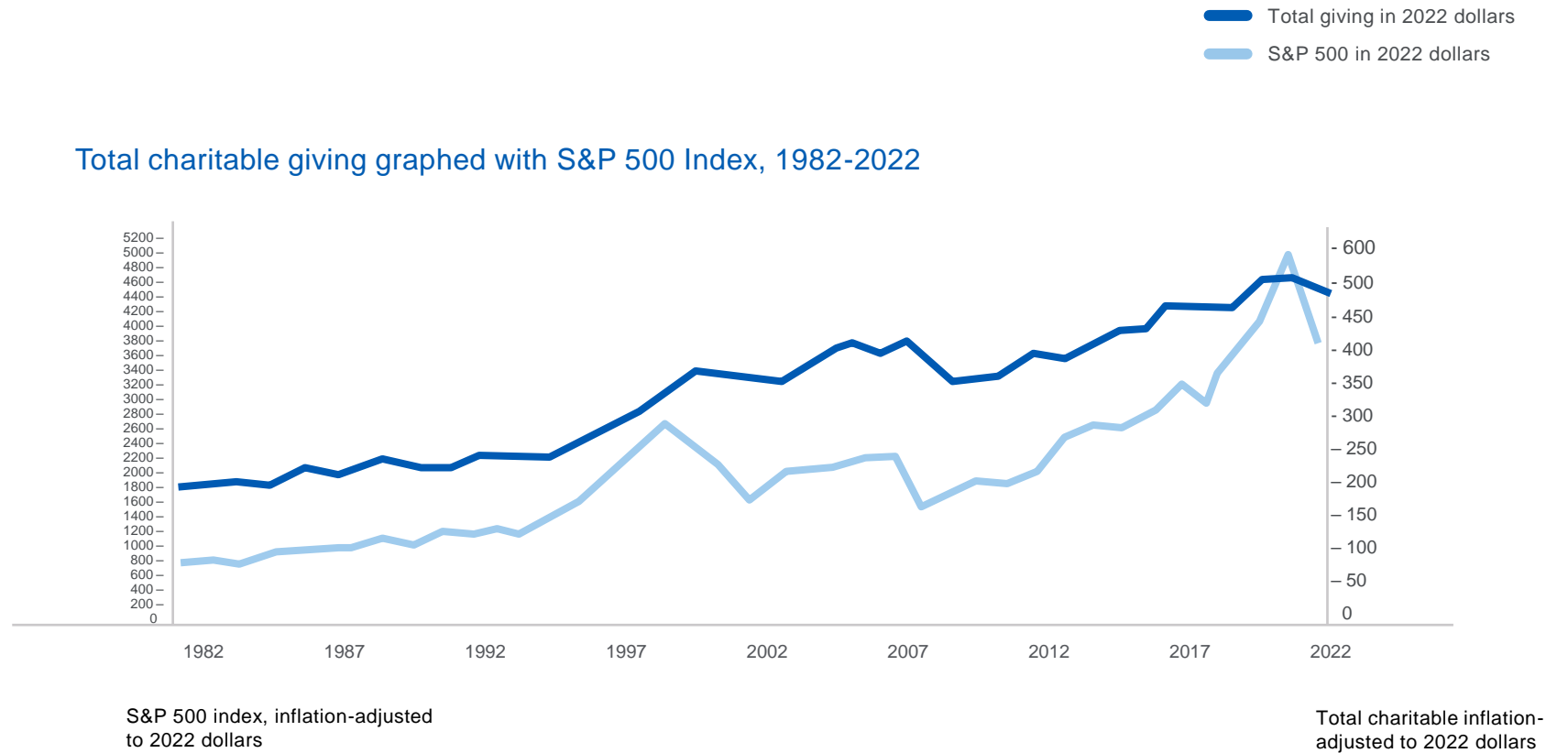


Despite market volatility, giving remains strong



Giving is not as volatile as the stock market

Total charitable giving graphed with S&P 500 Index, 1982-2022



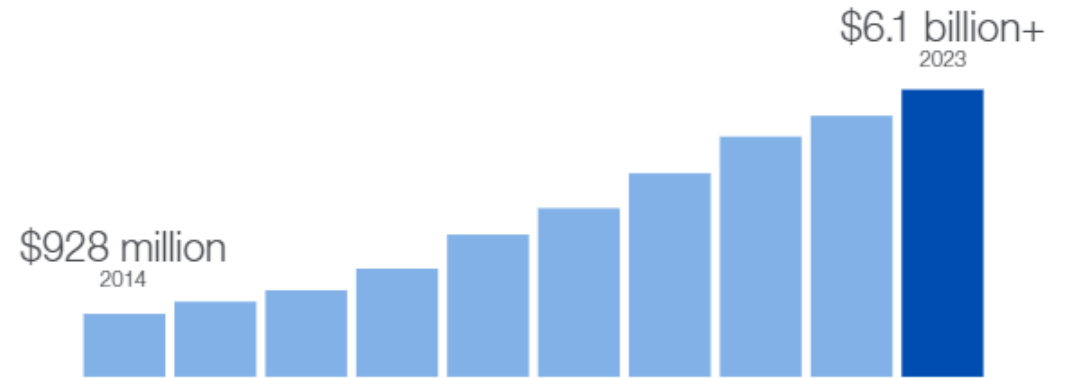
Past performance is no guarantee of future results. Indexes are unmanaged, do not incur management fees, costs and expenses, and cannot be invested in directly.

Source: Giving USA Foundation, Giving USA 2023

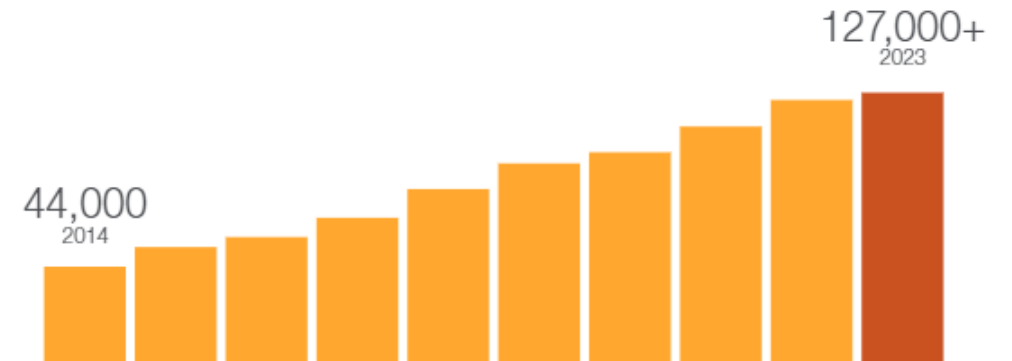
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Schwab Charitable donors give generously year after year

Total dollar amount of grants by year



Total number of charities supported by year



Source: Schwab Charitable 2023 Giving Report, December 31, 2023.
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Opportunity to add more value and build stronger client relationships

85%¹

of affluent households give to charity¹ and desire charitable planning services²



88%³

of RIA firms offer charitable planning as a value-added service



6%²

of wealthy investors report receiving charitable planning services from their advisors.



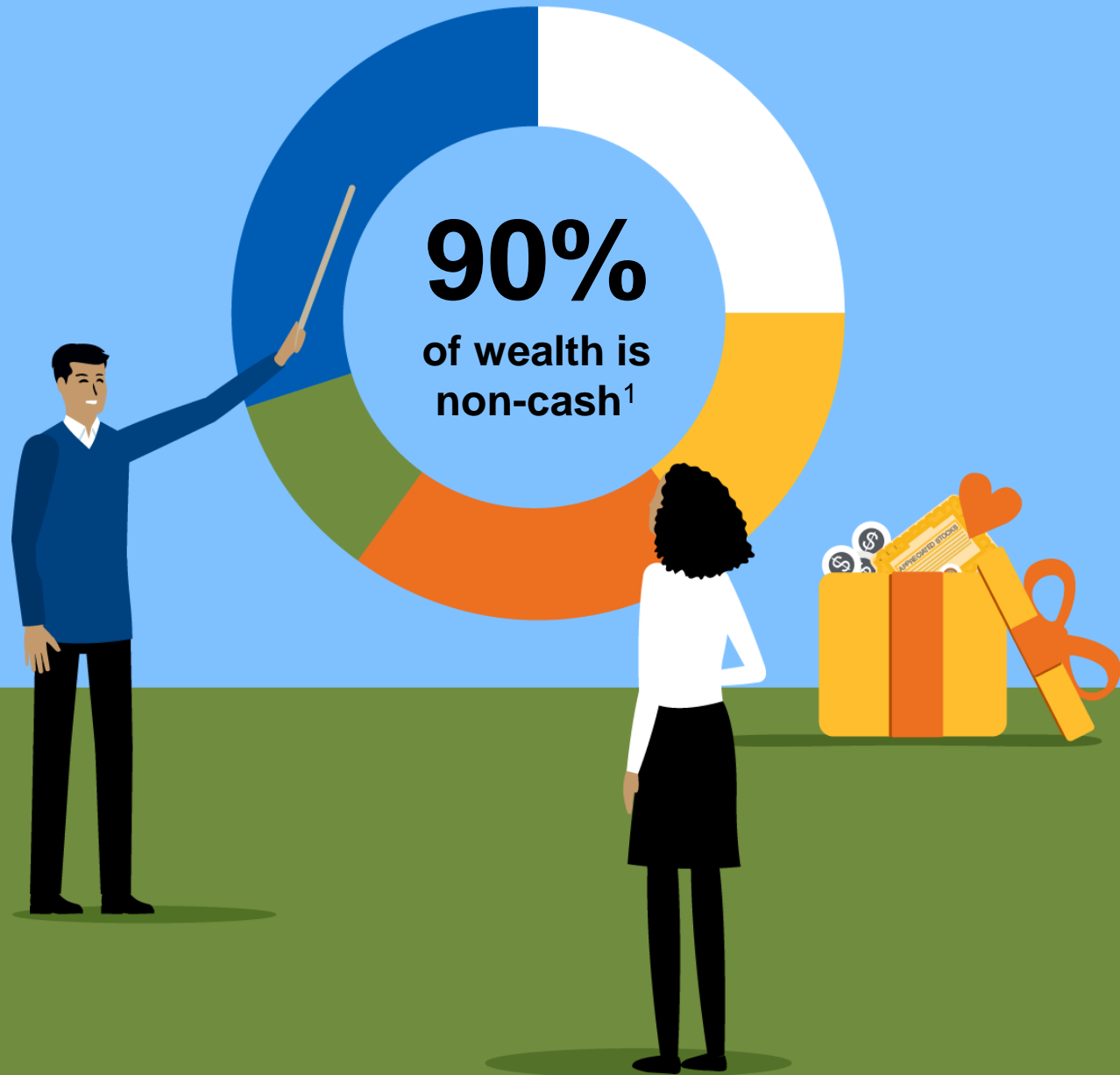
1. The 2023 Bank of America Study of Philanthropy

2. CEG Insights, *The Wealth Management Divide: Addressing the Gap Between Investors' Expectations and Advisor Services*, November 2023

3. Results from the 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023, for all firms with \$250 million or more in AUM

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Contributing non-cash assets to charity



Yet notice how most clients give:

- 96% of households donate through cash, check or credit card²
- Only 11% of donations by affluent households were non-cash assets²
- 64% of Schwab Charitable account contributions in 2023 were non-cash assets³

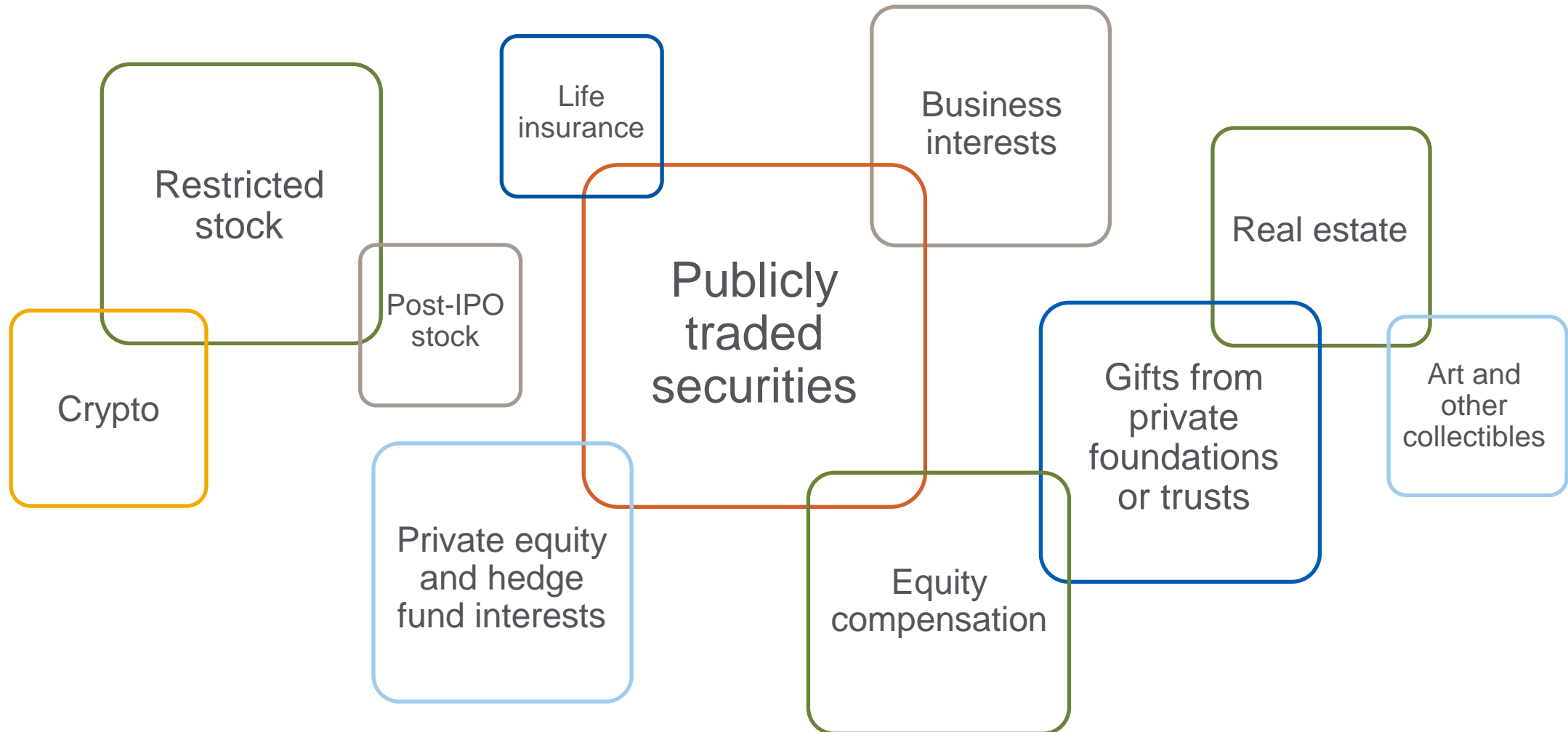
1. Federal Reserve Q4 2020 Financial Accounts of the United States
2. The 2023 Bank of America Study of Philanthropy: Charitable Giving by Affluent Households
3. Schwab Charitable 2023 Giving Report

Consider taking advantage of opportunities for tax-smart charitable giving

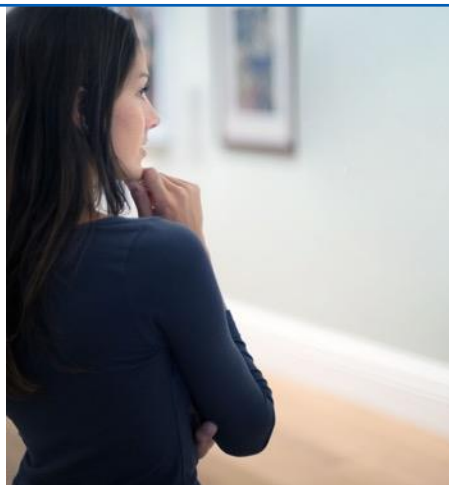


Reduce burden of potential taxable events by using the charitable deduction

What kinds of appreciated assets make good charitable gifts?



Donating appreciated non-cash assets and investments can help reduce taxes



Tax benefits



Potentially eliminate capital gains tax, allowing donors to give up to 20% more to charity.




Generally, claim a fair market value charitable deduction of up to 30% of adjusted gross income on contributions of long-term appreciated non-cash assets. Excess can be carried forward five years.



Any assets contributed to a donor-advised fund may be excluded from the donor's federal taxable estate.

Schwab Charitable accepts illiquid assets for contribution on a case-by-case basis.

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Considerations when evaluating non-cash contributions

1

Transferability

Identify entity type,
understand nature
of transfer restrictions

2

Exit strategy

Understand details
and timeline for exit

3

Valuation

Understand the
qualified appraisal
requirement

4

Risk Management

Avoid pre-arranged
sales, UBTI, excess
benefit transactions

Case study #1: Crystal



Hypothetical case study: Gift of private company shares

Situation

- Crystal is a high-level employee at a private company and she wants to donate some shares
- Two potential buyers are in the wings

Goals

- Wants to contribute \$1M low-basis LLC units to a donor-advised fund
- Wants to grant the money to 4 different charities over time

Details

- Pass-through interest
- Bargain sale
- Unrelated business taxable income
- Assignment of income risk
- Appraisal

Case study #1: Crystal weighs two options

Original cost (cost basis) of LLC units: \$50,000
Federal long-term capital gains tax rate: 20%



Fair market value of LLC units:
\$1,000,000



	Option 1: Sell LLC units then donate the after-tax net proceeds
Long-term capital gains taxes paid	\$190,000
Charitable contribution and tax deduction	\$810,000
Tax savings	\$109,700

This hypothetical example is only for illustrative purposes. The example does not take into account any state or local taxes or the Medicare net investment income surtax. The tax savings shown is the tax deduction, multiplied by the donor's income tax rate (37% in this example), minus the long-term capital gains taxes paid.

Case study #1: Crystal weighs two options

Original cost (cost basis) of LLC units: \$50,000
 Federal long-term capital gains tax rate: 20%



Fair market value of LLC units:
\$1,000,000



	Option 1: Sell LLC units then donate the after-tax net proceeds	Option 2: Contribute LLC units directly to Schwab Charitable
Long-term capital gains taxes paid	\$190,000	\$0
Charitable contribution and tax deduction	\$810,000	\$1,000,000
Tax savings	\$109,700	\$370,000

vs

This hypothetical example is only for illustrative purposes. The example does not take into account any state or local taxes or the Medicare net investment income surtax. The tax savings shown is the tax deduction, multiplied by the donor's income tax rate (37% in this example), minus the long-term capital gains taxes paid.

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Long-term capital gains taxes paid	\$190,000	\$0	
Charitable contribution and tax deduction	\$810,000	\$1,000,000	Additional amount to grant to charities: \$190,000
Tax savings	\$109,700	\$370,000	Additional amount saved on taxes: \$260,300

This hypothetical example is only for illustrative purposes. The example does not take into account any state or local taxes or the Medicare net investment income surtax. The tax savings shown is the tax deduction, multiplied by the donor's income tax rate (37% in this example), minus the long-term capital gains taxes paid.

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Hypothetical case study: Gift of private company shares

Situation

- Crystal is a high-level employee at a private company and she wants to donate some shares
- Two potential buyers are in the wings

Goals

- Wants to contribute \$1M low-basis LLC units to a donor-advised fund
- Wants to grant the money to 4 different charities over time

Details

- Pass-through interest
- Bargain sale
- Unrelated business taxable income
- Assignment of income risk
- Appraisal

Solution

- Consulted with CPA to weigh benefits, risks, and costs
- Decided to give appreciated securities and cash instead

Case study #2: Gregory



Hypothetical case study: Gift of private company shares

Situation

- Gregory is the founder and major stockholder in a private pharmaceutical company
- He's very charitably inclined

Goals

- Plans to sell his C-corp in 12-18 months
- Wants to donate private shares to support 15 of his favorite causes

Details

- His company has a complex org chart
- Competency of tax advisor
- Coordination with M&A attorneys

Solution

- He made a large gift of shares to DAF (\$1M contribution)
Set-up recurring grants to spend down his account in 20 years



Case study #2: Gregory contributes private C-corp shares



Gregory's ownership of C-Corporation shares

1

Part interest in C-Corp to his donor-advised fund account at Schwab Charitable



Gregory's donor-advised fund at Schwab Charitable

2

Sale of business to third-party buyer, Schwab Charitable involved



Buyer

3

Cash proceeds to Gregory's donor-advised fund account

- Fair market value deduction, substantiated by qualified appraisal
- May eliminate capital gains taxes
- More money goes to charity



Key points for client conversations

Would you be interested in donating non-cash assets to minimize your tax liability?

Consider contributing a non-cash asset if you are charitably inclined and concerned about paying capital gains taxes on the sale of an asset

You can potentially eliminate capital gains tax and qualify for a FMV deduction up to 30% of your AGI

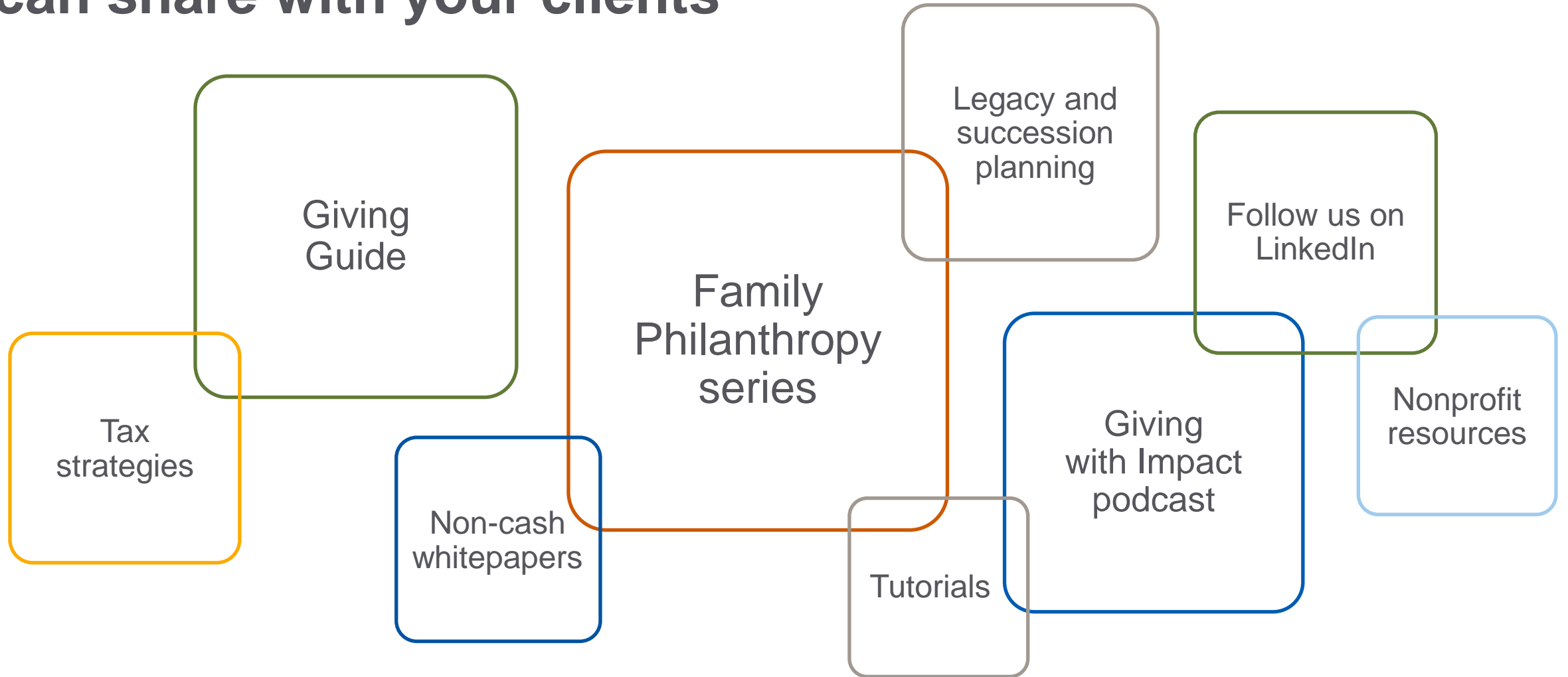
Schwab Charitable must conduct due diligence on the asset prior to acceptance

Contribution must take place before any legal obligation to sell the asset

IRS requires donor to obtain a qualified appraisal to substantiate tax deduction

Resources

We have a variety of resources you can share with your clients



Visit www.schwabcharitable.org/advisor-resource-center to access materials



Schwab
Charitable is
here to help

- Visit us at schwabcharitable.org
- Follow us on [LinkedIn](#)
- Listen to our podcast, Giving with Impact schwabcharitable.org/impactpodcast

Questions?

- New to Schwab Charitable? Contact **Schwab Charitable Business Development** with your questions about opening a new account:
 - Tel 855-966-3764
 - Email give@SchwabCharitable.org
- For questions about the ongoing maintenance of a donor-advised fund account, contact **Schwab Charitable Donor Relations**:
 - Tel 800-746-6216
 - Email ask@schwabcharitable.org

Thank you!
schwabcharitable.org



Important Disclosures

Schwab Charitable™ is the name used for the combined programs and services of Schwab Charitable Fund™, an independent nonprofit organization. Schwab Charitable Fund has entered into service agreements with certain subsidiaries of The Charles Schwab Corporation.

This information does not constitute and is not intended to be a substitute for specific individualized tax, legal or investment planning advice. Where specific advice is necessary or appropriate, Schwab Charitable recommends consultation with a qualified tax advisor, CPA, Financial Planner or Investment Manager.

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