



Low cost basis stock

Hypothetical case study — Donor advised funds

Philanthropic Services offered by Wells Fargo Bank, N.A.

Mark and Lisa Huang make annual charitable gifts totaling \$25,000 to the homeless shelter, their alma mater, and the local symphony. The Huangs have a combined adjusted gross income of \$1,000,000. They have liquid investments valued at \$2.5 million. Within their portfolio they own approximately \$100,000 of XYZ stock that they purchased for \$50,000 many years ago. The Huangs have two children who live on their own and who both recently finished college. The XYZ stock yields almost nothing and the Huangs would like to use the stock for their charitable gifts, but want to minimize some of the capital gains that would be due.

Objectives

- Avoid capital gains tax liability of \$11,900 (gain of \$50,000 x 23.8%);* includes 3.8% tax on net investment income + 20% long-term capital gains (LTCG) tax rate, but does not include any applicable state capital gains tax.
- Become more tax efficient with their annual charitable contributions.
- Reduce the amount of documentation needed for the charitable contribution deduction.

Investment and Insurance Products are:

- **Not Insured by the FDIC or Any Federal Government Agency**
- **Not a Deposit or Other Obligation of, or Guaranteed by, the Bank or Any Bank Affiliate**
- **Subject to Investment Risks, Including Possible Loss of the Principal Amount Invested**

Current situation

- Estimated reduction of \$37,000 federal income taxes for a \$100,000 charitable contribution.
- Can claim income tax charitable deductions of up to \$300,000 (30% of adjusted gross income) for gifts of qualified long-term marketable securities.
- Have an established pattern of charitable interests.

Possible solution

The Huangs, with the help of their advisor:

- Learn about how the donor advised fund (DAF) program with National Philanthropic Trust (NPT) can potentially enhance their giving.

How it works

- Establish a gift account with the National Philanthropic Trust DAF program and donate the appreciated shares of XYZ stock; avoid the LTCG tax on the shares.
- Select an investment pool that will determine how the funds in their gift account are managed.
- Continue to support their annual charitable giving through their DAF instead of writing personal checks. They can facilitate this through making recommendations to NPT for distribution to qualified charities.



Potential outcomes

- The contribution to their gift account provides an immediate income tax deduction for \$100,000.
- The Huangs avoid capital gains taxes because the long-term appreciated XYZ stock will be sold within the donor advised fund.
- The charity also avoids the tax because DAFs are considered public charities.

Most importantly, Mark and Lisa Huang are able to further their philanthropic endeavors. By making additional contributions to their account in the future, they can help fund new charities and limit future tax liability.

How we can help

When you work with Wells Fargo Bank's Philanthropic Services to establish your donor advised fund through National Philanthropic Trust, you gain access to experienced and credentialed philanthropic advisors who can help you develop a comprehensive philanthropic plan that is both tax-efficient and maximizes your charitable impact. Additionally, as the largest independent provider of donor advised funds, National Philanthropic Trust offers the experience, resources, and flexibility to help you support the causes that are most important to you. Backed by this experience, you can create an effective strategy that meets your philanthropic goals.

Let's connect

To learn more about donor advised funds and whether this charitable giving vehicle aligns with your goals, please contact your advisor.

* IRS Publication 526.

This example is hypothetical and for educational use only. The DAF provider is formed as a Trust (IRC Code 512). The situations, tax rates, or return numbers do not represent any actual client investments. There is no assurance that the rates depicted can or will be achieved. Actual rates will vary.

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