

**Dear Nonprofit Leader,**

## Thank you for the work you do!

Nonprofit development is the connection point between God's resources and His work. You sit in a privileged seat – one of leadership, service and ministry. The Signatry is here to help equip you with the information you need to share with donors in the stewardship of their heart and generosity.

The Signatry exists to unleash radical generosity for the Kingdom. As you minister to your donors and ask them to invest in the work God is doing through your organization, we want to be sure you know about all the opportunities available to them. This is a service to your donors to help them see the potential they have to leverage their assets to be more generous.

Did you know that 90 percent of America's wealth is tied up in complex assets? Yet, nonprofit organizations and ministries receive 80% of their donations from cash, where only 10 percent of the wealth is held. The Signatry wants you to be able to educate your donors about the opportunity they have to give complex assets. We want you to recognize the value in asking for those complex asset gifts.

The Signatry Nonprofit Success wants to equip you in your development efforts and partner with you in major donor conversations. A giving tool called a donor advised fund at The Signatry serves as the tool to liquidate these gifts and assist the donors in their generosity endeavors. The donor's attorney or wealth advisor can help manage the details along with The Signatry's legal and accounting teams.

Your role is simply to make them aware of the opportunity. Your role is ministering to your donor. We'll partner with you and with them to help manage the details.

**We are for you.**

Blessings,

**Kristin Hammett**

Director of Nonprofit Success

# Your Guide to the Complex Asset Gift Conversation

- 1. Donor Discussion Ideas** *page 3*
- 2. Complex Asset Gift Types** *page 4*
- 3. Fact Sheets** *page 9*

Use the enclosed information to expand your knowledge base and to empower your donors with these potential new opportunities for giving. There are tax and legal implications with these gift scenarios, so it is important to be accurate with language. The key rule to keep in mind is not to guarantee specific results with potential tax benefits.

We have an experienced complex asset team that can assist in these conversations, and we are glad to help.



# Donor Discussion Ideas

Use these sample topics to start a conversation with potential major donors. Take time to uncover and learn about the stories that created their businesses and resources

- Tell me more about your work/company.
- What do you like about it?
- Help me understand your business.
- Do you leverage real estate or stocks in your investment strategy?
- Did you know you can give up to 30% of your income using capital assets?
- Are you planning to sell your business?
- How is your family doing?
- What is your plan for your business? Succession? Children? How do you feel about them taking on the business?
- What stories do you want to pass on to your children?



# Complex Asset Gift Types

## Publicly Traded Securities

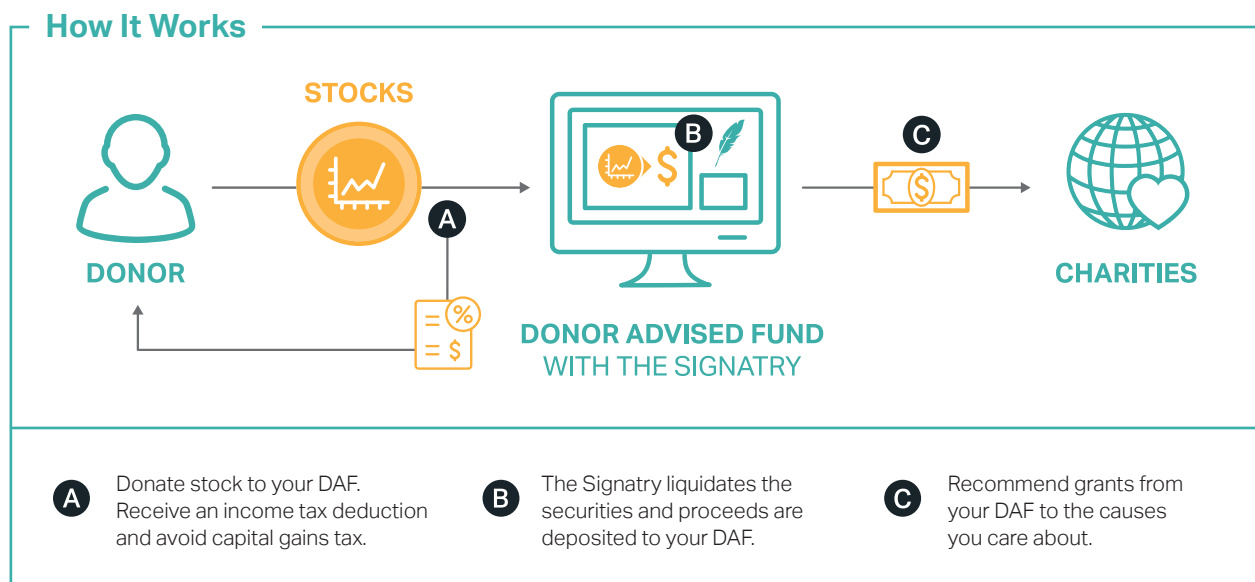
Donating publicly traded securities, such as stocks, mutual funds or bonds, is typically handled in two ways:

1. Donors may donate publicly traded securities directly to the charity of their choosing, or
2. Donors liquidate the publicly traded securities and give to charity from the proceeds.

In the first scenario, donating publicly traded securities directly to a charity may simplify the process for a donor, but the ministries themselves are not always equipped to receive and liquidate these types of gifts.

In the second scenario, while it is simpler for a charity to receive a cash donation, the donor will pay capital gains tax on the sale of the publicly traded securities, which reduces the total amount they could have given.

Moving beyond these traditional methods that center around cash giving is a necessary shift for both donors and charities. A key solution is for donors to set up a donor advised fund, gift publicly traded securities, and do their giving from the fund. Donating publicly traded securities to a donor advised fund simplifies the giving process so donors can save taxes and give more, and it makes receiving gifts simpler for charities.



## ② Complex Asset Gift Types

A donor gives publicly traded securities to The Signatry, so we liquidate the assets, and deposit the proceeds into the donor's fund. The donor receives an income tax deduction for the value of the publicly traded securities, and they avoid the capital gains tax they would have paid if they had sold the publicly traded securities and then given. With the increased income tax deduction, this can mean even more cash is available for future giving.

Donors can even involve their financial advisors to determine the best stocks to donate and to help rebalance their portfolios. A publicly traded securities gift provides the opportunity for wise financial & charitable strategy.

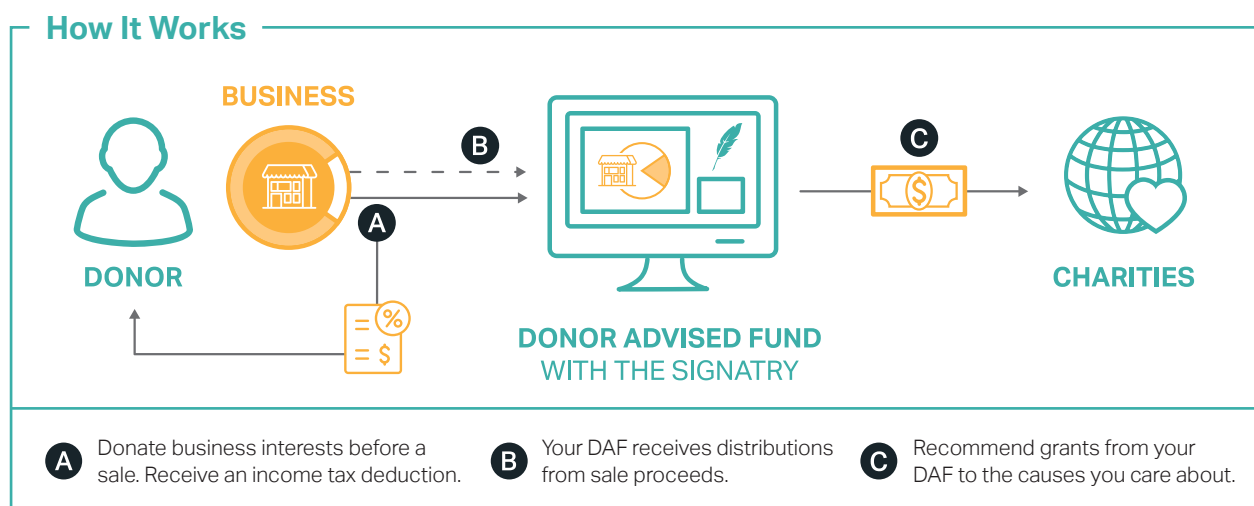
*See the Stock Gift Fact Sheet in the appendix that you can share with potential donors to help explain the stock process.*

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### Business Interest Gift Before Sale

If you have donors who are selling businesses, or who may be doing so in the near future, this is an important opportunity to help educate them on business interest gifts. A business sale can mean a large tax bill, and we find over and over that most business owners simply are unaware of the opportunity to reduce their tax burden and have a greater impact on the causes they love through charitable giving.

When donors make a business interest gift prior to selling, the capital gains taxes potentially saved can be significant, and it also can provide an increased income tax deduction.



*\*An important note: The gift must happen before the purchase agreement is signed.*



## ② Complex Asset Gift Types

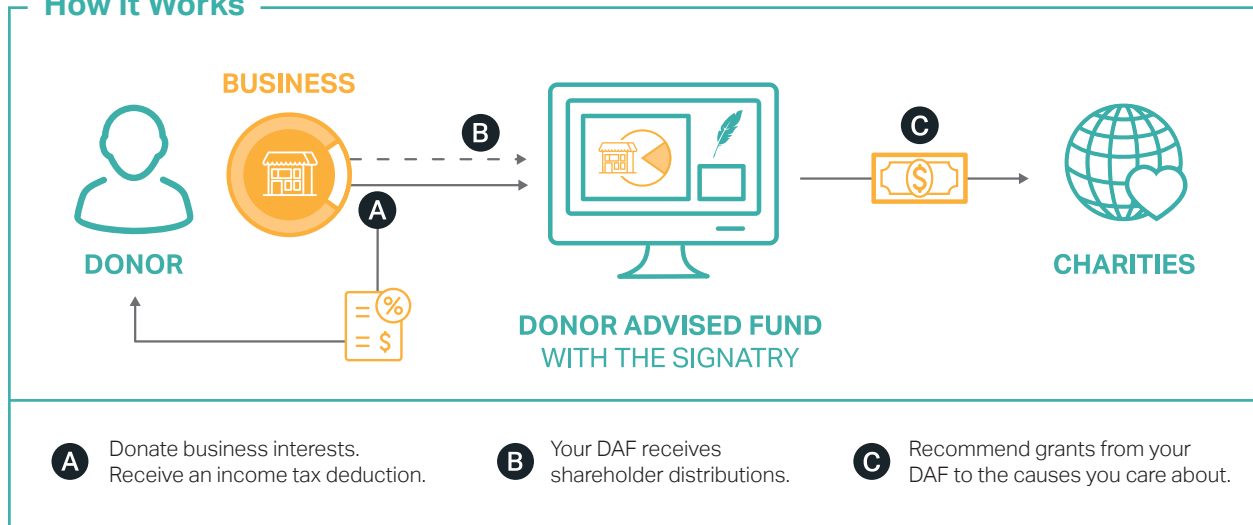
With the varying types of businesses and percentages of ownership, we have created a calculator tool that you and your donors can utilize to test different gift scenarios.

Visit [www.thesignatry.com/generosity-calculator](http://www.thesignatry.com/generosity-calculator).

### Business Interest Gift

If you are working with a donor who may not be considering selling, they still can utilize a business interest gift strategy. By donating non-voting portions of their closely held business interest to a donor advised fund, they can receive a tax deduction and still maintain management of the business through the remaining voting interests. Up to 30% AGI can be donated.

#### How It Works



By donating, they receive the benefit on an increased income tax deduction, and if they ever do choose to sell their business, the capital gains tax will be reduced or avoided on the interest that was gifted.

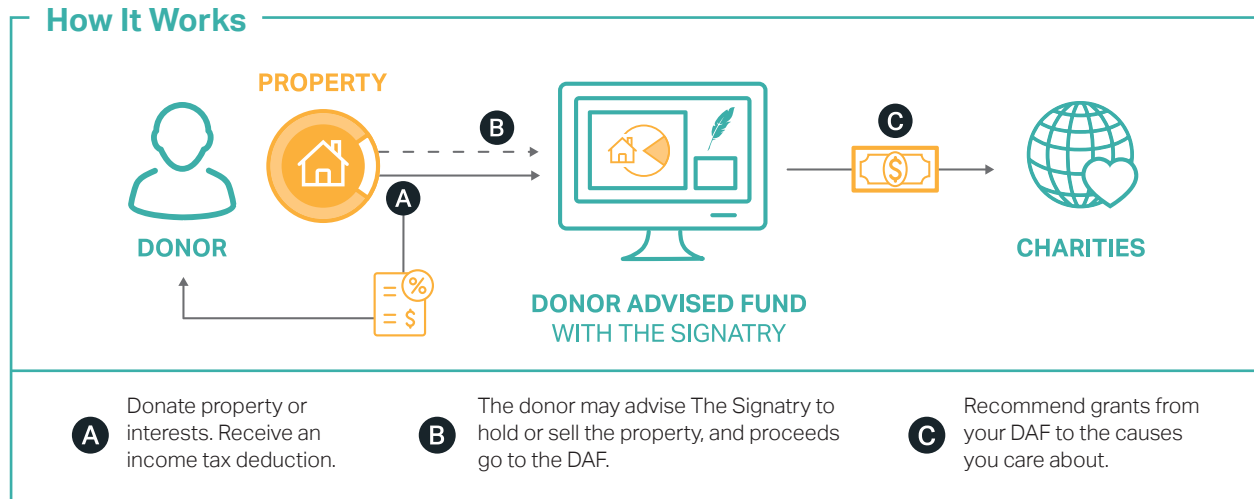
### Gift of Real Estate

Real estate is an often under-utilized gift as most assume since the assets are tied up investments, they cannot be easily liquidated and used for charitable purposes. However, donors can give all or partial interest in appreciated real estate, and potentially avoid capital gains taxes and receive an income tax deduction. Up to 30% AGI can be donated when it comes to complex assets.



## ② Complex Asset Gift Types

Whether a donor is selling the property, or they want to give from income off a property they currently hold, real estate is yet another option for complex asset gifts to discuss with your major donors.



*\*An important note: The gift must happen before the purchase agreement is signed.*

Donors give all or a portion of their interest to a donor advised fund with The Signatry. With the proceeds of the gift, the donor can give from these funds and the tax savings realized.



# Fact Sheets

The attached fact sheets cover the basic types of complex asset gifts. You can provide these to your potential donors to help begin the conversation and use them for your own studying as well. Please contact The Signatry for further questions, and we are happy to help walk you and your donors through these types of gifts.

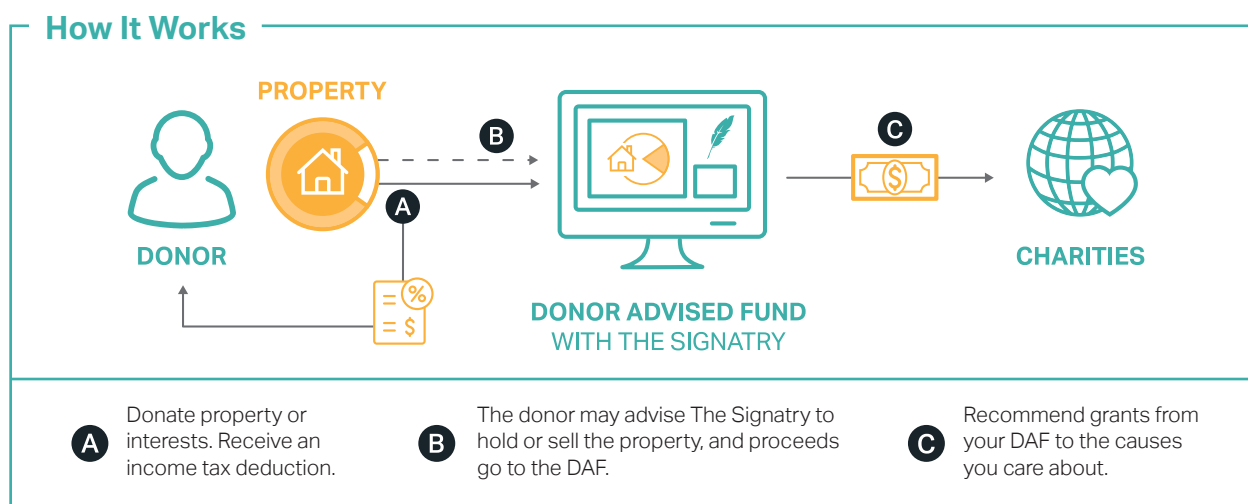




# Giving Real Estate

Whether hunting land, oil and gas interest, farmland, or more, real estate can be a valuable asset for generosity. Often, the opportunity to utilize real estate for charitable giving can be overlooked because it is assumed the assets are tied up in investments and not easily liquidated. But a practical solution is available. By giving all or a partial interest in appreciated real estate, you can minimize capital gains taxes and receive an income tax deduction, and give more to your favorite charities.

Before you sell your real estate, consider giving a portion of it to a donor advised fund with The Signatry. We will process the gift, and you can use the proceeds to support the causes you love most.



## Benefits

- + You can avoid capital gains taxes on the portion of property you gift.
- + If The Signatry holds the property instead of selling, the income from the property will flow to your DAF.
- + You receive an income tax deduction of your gift's fair market value.
- + You can reduce your income taxes, which equates to additional cash flow.
- + You can let the proceeds grow in investments in the DAF, and you can recommend grants to charities over time.

## Practically Speaking

For example, suppose you have a \$1 million fair market value property, with a basis of \$100,000. There is no debt on the property, and you want to give all the proceeds to charity. Here is what you could save by giving real estate before it is sold.

	Sell Before Giving	Give Before Selling
<b>Charity</b>	\$775,000	\$1,000,000
<b>Tax</b>	\$225,000 <sup>1</sup>	\$0

<sup>1</sup> Tax is calculated on a combined state + federal rate of 42% and a capital gains tax rate of 25%.

Contact The Signatry at [913-310-0279](tel:913-310-0279) or [info@thesignatry.com](mailto:info@thesignatry.com) to find out more about giving real estate.

Thanks to the generosity of other complex asset donors who have gone before you, we provide our expertise for these charitable giving solutions at no cost. We invite donors to join this legacy by donating a percentage of their asset gift to The Signatry, so we can continue this mission to equip donors to solve problems in the world and build enduring families.

The Signatry is a 501(c)(3) organization and a donor advised fund sponsor. We facilitate the accounts through which people give, and we work to train, inspire, and equip families, ministries, and advisors for radical biblical generosity.

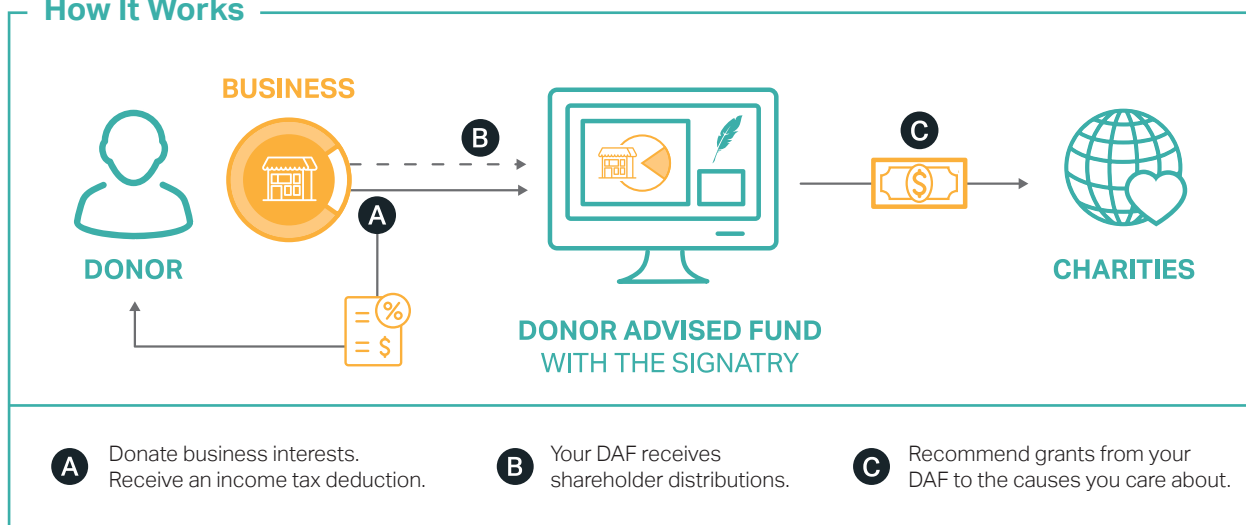
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# Giving Business Interests

What if you could use your business to save taxes and give more generously to the charities you love most? As a business owner, when you give a non-voting portion of your closely held business interest to a donor advised fund (DAF), you can receive a tax deduction and still maintain management of the business through the remaining voting interests. It is a practical stewardship solution for you that will help grow and expand the work of those causes you care about most!

## How It Works



## Benefits

- + Receive an income tax deduction (up to 30% AGI) by donating a piece of the business.
- + Increase cash flow by decreasing your income taxes for the year.
- + The income tax deduction means more money is available for additional giving to charity.
- + The donated shares/units are no longer subject to estate tax.
- + There are opportunities for creative redemption by your children, employees, and others.
- + On the business portion that was gifted to The Signatry, capital gains tax will be reduced or avoided if the business is sold.

## Practically Speaking

Suppose a business owner owns a C-Corp, and their share of the business is worth \$10 million (fair market value). Their adjusted gross income is \$1 million, and they typically give \$100,000 to charity each year. If they give an additional 3% of the company shares to charity, here is how their tax and giving situation could change:

	Before Business Gift	After Business Gift
<b>Charity</b>	\$100,000	\$400,000
<b>Taxes</b>	\$378,000	\$252,000

The owner would receive an immediate tax deduction of \$300,000, which means \$126,000 less in income taxes the first year. If they keep giving \$100,000, they could save an extra \$42,000<sup>1</sup> in taxes.

<sup>1</sup>Results are calculated based on a 42% State + Federal income tax bracket.

## By the Numbers

Below is a breakdown of the numbers on page one.

	Before Business Gift	After Business Gift
<b>Charity</b>	Income is \$1 million, and 10% is gifted to charity annually:  $\$1,000,000 \times 10\% = \mathbf{\$100,000}$	Keep giving \$100,000, but combine it with a 3% gift of a \$10 million business interest (\$10,000,000 x 3%=300,000). Combining cash and asset giving:  \$100,000 (cash giving) + \$300,000 (asset) = <b>\$400,000 (total giving)</b>
<b>Taxes</b>	Annual income is \$1 million, but the \$100,000 gift is tax-deductible, so taxable income is \$900,000.  $\$900,000 \times 42\%$ (Federal + State tax) = <b>\$378,000</b>	Annual income is \$1 million, but with a \$400,000 gift tax-deduction, taxable income is \$600,000.  $\$600,000 \times 42\% = \mathbf{\$252,000}$

Now let's add in a couple other factors.

<b>Personal spending</b>	Let's say the owner regularly spends <b>\$150,000</b> on lifestyle expenses.	Lifestyle expenses remain the same: <b>\$150,000.</b>
<b>Cash left over for savings, investments or additional giving</b>	If your annual income is \$1 million:  \$1,000,000 (income) - \$100,000 (cash giving) - \$378,000 (tax) <u>- \$150,000 (personal)</u> <b>\$372,000</b>	Now let's look at how much is left if you give 3% of your business:  \$1,000,000 (income) - \$100,000 (cash giving) - \$252,000 (tax) <u>- \$150,000 (personal)</u> <b>\$498,000</b>

## Maximize generosity

Use our calculator to see how giving before you sell your asset can increase the impact of your gift. Generate your impact at [thesignatry.com/generosity-calculator](https://thesignatry.com/generosity-calculator).

Contact The Signatry at [913-310-0279](tel:913-310-0279) or [info@thesignatry.com](mailto:info@thesignatry.com) to find out more about giving business interests.

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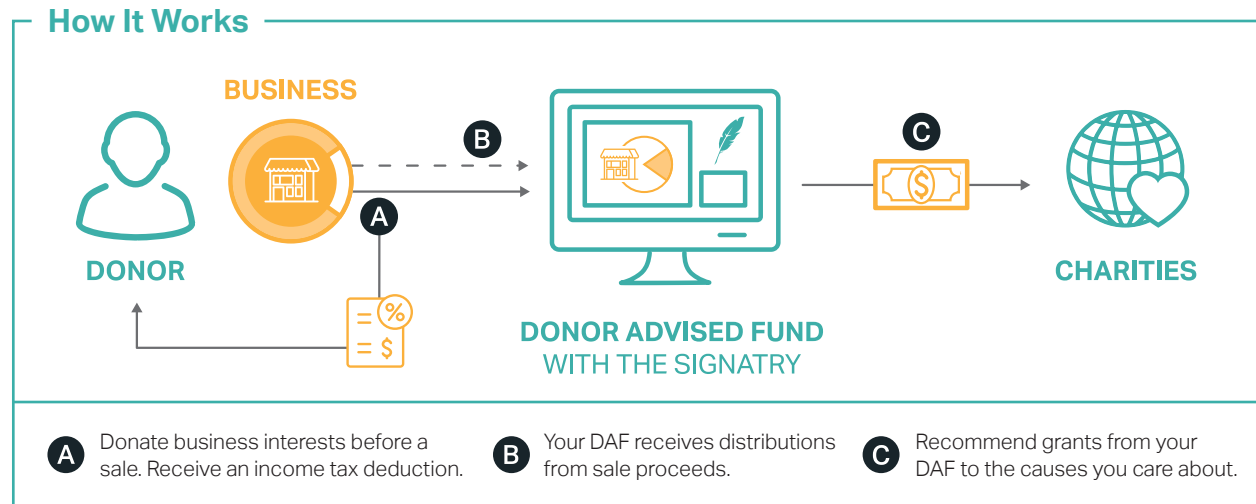
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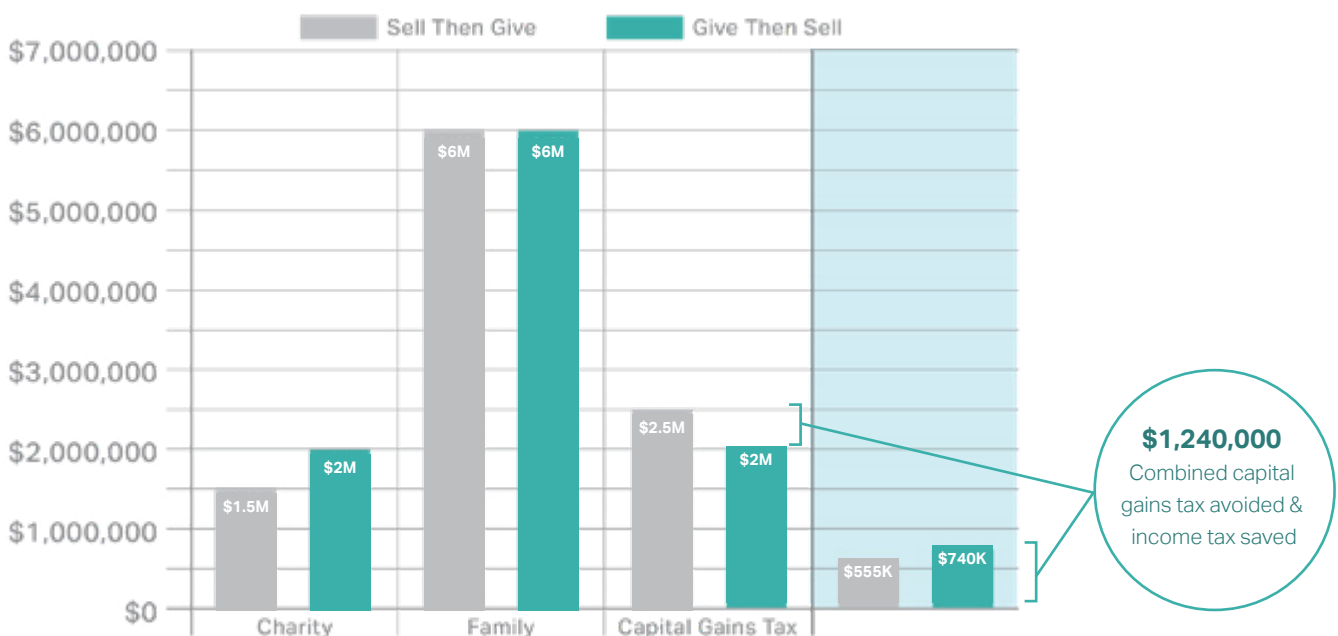
# Giving Before Your Business Sale

Selling a business often is associated with large amounts of taxes to be paid. However, there is a proven solution that allows this liquidity event also to become an opportunity to give generously to your favorite charities. By giving business interest before the sale to a donor advised fund (DAF), you could receive an increased tax deduction and minimize capital gains taxes. These tax savings allow you to give more to ministries even beyond the initial interest donation.



## Practically Speaking

Here is what you could potentially save in taxes and increase giving by compared to selling the business and then giving. This example shows the impact if a family sold their business for \$10 million, and made a 20% gift either before or after the sale.



This scenario assumes fair market value of **\$10,000,000**, ordinary income tax rate of **37%**, capital gains tax rate of **25%**, and basis of **\$0**.

## Benefits

- +** You will receive an income tax reduction for the fair market value of the shares/units donated, as determined by a qualified appraisal.
- +** Capital gains tax could be significantly reduced for the shares held by the charity.
- +** The donated shares/units are no longer subject to estate tax.
- +** Donate as little as 1% or as much as 100% of your company.
- +** Recommend grants to multiple charities long-term by donating shares to a DAF prior to the sale of your company.
- +** Once the gift is in a DAF, you can recommend grants as needs arise. Plus, the funds within the DAF may grow through investments to provide additional granting.

## By the Numbers

Below is a breakdown of the numbers from page one.

	Sell Before Giving	Give Before Selling
<b>Capital Gains Tax</b>	<p>Selling the business will mean a capital gains tax of 25% (20% Federal + 5% State)</p> $  \begin{array}{r}  \$10,000,000 \text{ (sale price)} \\  - \quad \quad \quad \$0 \text{ (basis)} \\  \hline  \$10,000,000 \text{ (gain)} \\  \times \quad \quad \quad 25\% \\  \hline  \mathbf{\$2,500,000} \text{ (capital gains tax)}  \end{array}  $	<p>Since 20% of the company was donated before the sale, there is no capital gains tax on the donated portion. The gift is subtracted from both the fair market value and the cost basis.</p> $  \begin{array}{r}  \$8,000,000 \text{ (\$10M - 20\%)} \\  - \quad \quad \quad \$0 \text{ (basis)} \\  \hline  \$8,000,000 \text{ (gain)} \\  \times \quad \quad \quad 25\% \\  \hline  \mathbf{\$2,000,000} \text{ (capital gains tax)}  \end{array}  $
<b>Charity</b>	<p>A 20% gift after the sale:</p> $  \begin{array}{r}  \$10,000,000 \text{ (sale price)} \\  - \mathbf{\$2,500,000} \text{ (capital gains tax)} \\  \hline  \$7,500,000 \text{ (take-home amount)} \\  \times \quad \quad \quad 20\% \\  \hline  \mathbf{\$1,500,000} \text{ (charitable gift)}  \end{array}  $	<p>A 20% gift before the sale:</p> $  \begin{array}{r}  \$10,000,000 \text{ (fair market value)} \\  \times \quad \quad \quad 20\% \\  \hline  \mathbf{\$2,000,000} \text{ (charitable gift)}  \end{array}  $
<b>Income Tax Saved</b>	<p>\$1,500,000 will count as a tax-deductible gift. Assuming an income tax rate of 37% (federal + state):</p> $  \begin{array}{r}  \$1,500,000 \text{ (tax deduction)} \\  \times \quad \quad \quad 37\% \text{ (income tax bracket)} \\  \hline  \mathbf{\$555,000} \text{ (income tax saved)}  \end{array}  $	<p>\$2 million as a fair market value deductible gift:</p> $  \begin{array}{r}  \$2,000,000 \text{ (tax deduction)} \\  \times \quad \quad \quad 37\% \text{ (income tax bracket)} \\  \hline  \mathbf{\$740,000} \text{ (income tax saved)}  \end{array}  $

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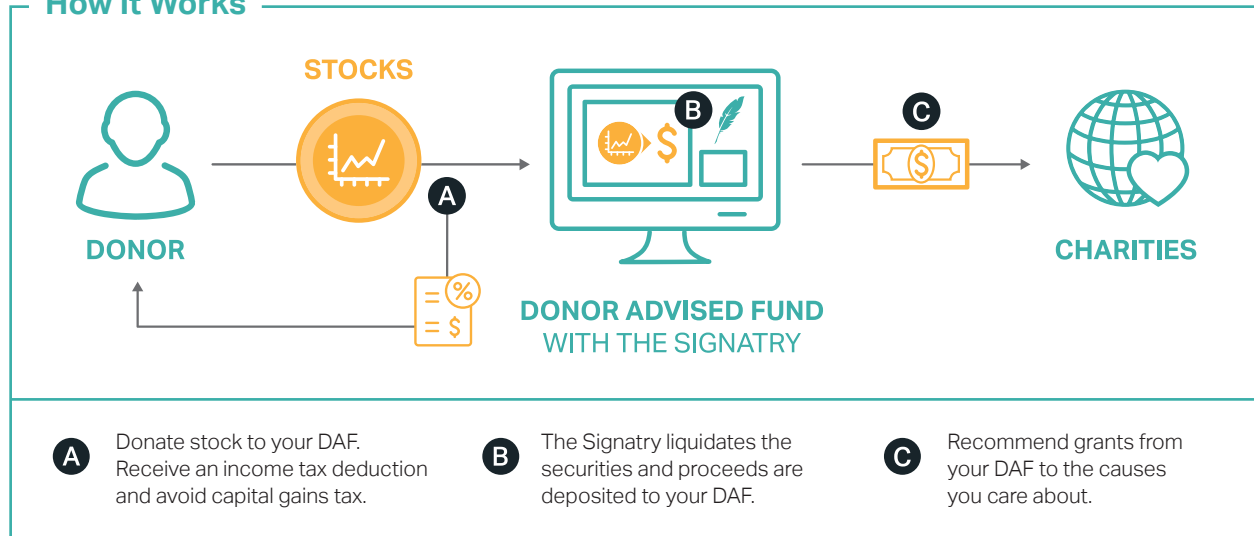
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# Giving Publicly Traded Securities

Do you want to expand your impact and generosity for the charities you love most? You can utilize gifts of stock before the sale. By giving the publicly traded securities to a donor advised fund (DAF), capital gains taxes can be avoided. This increased tax benefit provides the opportunity for even more to go toward your favorite causes.

## How It Works

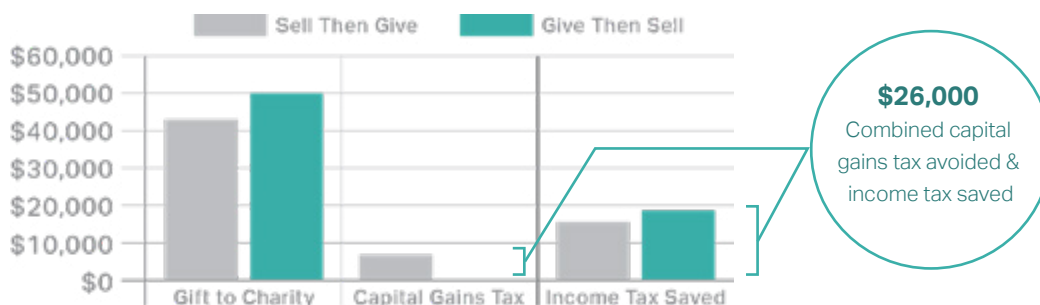


## Benefits

- + You avoid capital gains tax.
- + You have more cash to rebalance your portfolio.
- + You receive an income tax deduction for the full amount of the charitable gift.
- + Using a DAF with The Signatry, your donations can grow in investments to yield even further return for charitable giving.
- + You can keep what you saved in tax, or you can utilize the extra for additional giving.

## Practically Speaking

By giving stock to a donor advised fund and then giving from the proceeds, it can maximize your generosity and minimize taxes. Here is how the impact of this compares to the traditional approach of selling and then giving from the proceeds.



This scenario assumes a cost basis of \$20,000, a fair market value of \$50,000, ordinary income tax rate of 37%, and capital gains tax rate of 25%.