

## Please Note:

Issues of *Futures* appear as they were originally published. Information in these publications has not been updated to reflect changes that could affect calculations given in case examples.

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A no-nonsense newsletter for estate planners and financial advisors from The Dayton Foundation

## How One Company Uses the Charitable Checking Account<sup>SM</sup> Service to Benefit Clients

By Robert J. Suttman, II, CFA, President and Principal, Eubel, Brady & Suttman Asset Management



*"This gifting vehicle... makes possible a more judicious use of clients' resources and a creative enhancement to their personal financial plans."*

— Robert J. Suttman, II

At Eubel, Brady & Suttman (EBS), we are always asking the question, "Where does cash go?" We never want appreciated stock going to cash and then to charity. The last thing we want our clients to use in making a charitable gift is cash.

The Dayton Foundation's Charitable Checking Account (CCA) Service makes it easy for clients to use assets other than cash to make charitable gifts. If they have appreciated securities, they can transfer their asset to The Dayton Foundation, which will liquidate it and deposit the cash in their CCA, undiminished by long-term capital gains taxes.

If you haven't used it before, personally or for a client, and decide to try it, you'll find The Dayton Foundation's CCA Service to be a tax-wise and extremely convenient way to make and keep track of your charitable contributions.

It operates much like a personal checking account, in that you deposit assets and then direct the Foundation to send contributions to any IRS-approved charities you choose. You make the decisions; The Dayton Foundation does the work. It does a wonderful job of simplifying giving, while providing the opportunity to increase tax benefits. What

makes it better yet is that it's free.

The Service is not a hard sell to clients, who see that they can make a 15% greater charitable gift when they can avoid the capital gains tax on their appreciated assets. This gifting vehicle, then, makes possible a more judicious use of clients' resources and a creative enhancement to their personal financial plans.

### **The Advantages of Tax Timing**

The ability to "park" dollars in a client's CCA in a particularly advantageous tax year, then disburse it to the charities of their choice at a later date, is a major advantage.

By planning ahead and by accelerating their pace of charitable giving, some clients are able to "bunch" their donations into certain tax years. Sometimes this is because they are not able to itemize every year. Other times it is because they have a larger than normal tax bite in a given year, which they would like to offset with a charitable deduction. At EBS, we use a technique for capitalizing on these benefits, while maintaining a beneficial stock position.

### **Maintaining a Position**

Sometimes a client experiences a substantial run-up in a stock, but as the client's portfolio manager, you still see upside potential for the

stock and thus may not want to sell it. If the client you have purchased the stock for is charitably minded, however, you may look at this differently and have a great alternative you can offer your client.

If he or she is open to establishing a CCA, the client can gift the appreciated stock to The Dayton Foundation. The Foundation will liquidate it, thus avoiding the long-term capital gains tax and enabling your client to take a charitable deduction for the full value of the appreciated stock. You then can repurchase the stock for your client at the new value. This enables him or her to maintain the stock position previously held, while realizing the gain without the tax bite.

To illustrate this, let's say a client has \$10,000 invested in a stock that has been held for longer than a year and now is worth \$40,000. The capital gains on this would be \$30,000, subject to a 15% capital gains tax rate. By gifting the stock to the Foundation for his CCA and assuming the 15% rate, the client saves \$4,500 in federal taxes. The client now has \$4,500 more than he or she would have had to give to charity. For a client who has charitable giving as a priority, the benefits of this approach will be evident.

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## How One Company Uses the Charitable Checking Account Service to Benefit Clients

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### Retirement Expense Planning

At the point of retirement, our clients typically look for ways to draw a steady amount of income from their investments to enhance their post-working years. For charitable people, that frequently includes a set amount for charitable donations.

By gifting appreciated stock to The Dayton Foundation for their CCAs, these individuals can add to their charitable fund and take the tax deductions during their working years. They then would have the full value of the assets to spend out to the charities of their choice over their retirement years.

This enables them to budget what they will need to draw from their investment and/or tax-deferred accounts to live and maintain their quality of life during their retirement, without concern for the charitable dollars they would like to continue to give in their later years.

### Other Benefits

One of the things I like best about the CCA Service is the help it provides you with the paperwork associated with charitable giving. Everyone is overwhelmed by paperwork today. The CCA Service is a big help here.

As a person who uses the CCA Service for my personal giving, I only need to concern myself with funding my CCA and deciding what charities I want to receive my grants.

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## August 31, 2004: Deadline on E/EE Bond Conversion

Some federal bonds that are about to stop accumulating interest may be transferred to current interest-paying bonds. If you have clients holding federal E/EE bonds, August 31, 2004, is the deadline for converting them to HH bonds that do pay interest currently. The accumulated interest on the E/EE bonds is deferred until the HH bonds are cashed. To learn more about this and the charitable uses of bonds, contact Bud Marks, Senior Development Officer at The Dayton Foundation, at (937) 225-9951.

The Service verifies for me that my charitable recipient is an IRS-approved charity, cuts the check or transfers the money, keeps records of all transactions and provides me with quarterly and end-of-year Account statements. If I do all my charitable gifting through my CCA, I have just one record of my giving at tax time – a real plus.

Furthermore, I don’t need to concern myself with the IRS requirement that I obtain receipts for each grant I make of \$250 or more. The acknowledgment letters I receive from The Dayton Foundation for contributions to my Account, are all that I need, come tax time. I also love the option they give me to make my gifts anonymously, if I so choose.

On top of all this, The Dayton Foundation now has a great donor service, called Donor Express. This provides me with online access to my CCA, so I can check my fund balance and make grants online anytime day or night. A new feature the Foundation has just added is the option to open a CCA rapidly online, right from the Foundation’s web site, [www.daytonfoundation.org](http://www.daytonfoundation.org).

### Satisfied Clients

People can sometimes be reluctant to try new things. Making it easier for

clients to try something new can sometimes be all it takes to convince them. At EBS, we provide a stock directive for our clients to sign, so we can quickly and easily make stock transfers for them to The Dayton Foundation. The clients I’ve introduced to the CCA Service absolutely love the Service and how simple we make it for them to use it often.

I always feel confident recommending the CCA Service to my clients, because I know the value of the service. I also know that my clients will be served in a friendly, professional and can-do manner and that their funds will be managed by the Foundation’s world-class investment managers.

If you haven’t used The Dayton Foundation and its Charitable Checking Account Service yet, you might give them a try. I know that my clients are glad that they did. 🙌

**Note: Solutions differ from case to case. The above does not constitute professional financial or tax advice.**

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