

# Complex Assets— The Most Overlooked Charitable Donations

Speaker Name  
SPEAKER TITLE

# Current Trends

- Bulk of wealth in this country is held in private companies
- M&A activity is reaching pre-recession levels and business exit planning continues to increase
- Global mergers and acquisitions (M&A) activity is expected to rocket upward **36%** to **\$3.04 trillion** in 2011\*
- Money is in motion—majority of boomer wealth is held in **12 million** privately owned businesses, of which more than **70%** are expected to change hands in the next 10–15 years\*\*
- Capital gains taxes are expected to rise

\* DailyFinance, "M&A Activity Expected to Jump 36% in 2011," November 15, 2010.

\*\* Robert Avery, Cornell University, February 2006.

# The Opportunity: A Tax-Efficient Way to Give

Advisors have a key opportunity to:

- Bring a new idea to a client and increase awareness
- Show clients how to utilize seemingly illiquid assets to fund charitable giving
- Help clients give more by minimizing taxes

80% of advisors say the biggest benefit to offering charitable planning advice is that it is an effective relationship builder\*

\* 2010 Fidelity Charitable<sup>SM</sup> "Advice & Giving" survey, conducted by Harris Interactive for Fidelity Investments on behalf of Fidelity Charitable<sup>SM</sup> between May 21 and 26, 2010.

# Why Donate Complex Assets?

Often the most powerful assets to give in a client's portfolio

Lowest cost basis—costs less to give more

There is a perceived complexity around the process of donating complex assets—**it's not when done correctly**

# Examples of Complex Assets

- Private Company Stock
  - S-Corp
  - C-Corp
- Restricted Stock
- LLC and Limited Partnership Interests
- Real Estate
- Pre-IPO Shares
- Personal Property (Artwork, Collectibles)\*
- Other Miscellaneous Capital Assets
- Certain Alternative Investments

\* Related use needed to claim a fair market value tax deduction.

# Key Considerations: Donations of Complex Assets



Diligence



Liquidity/Marketability

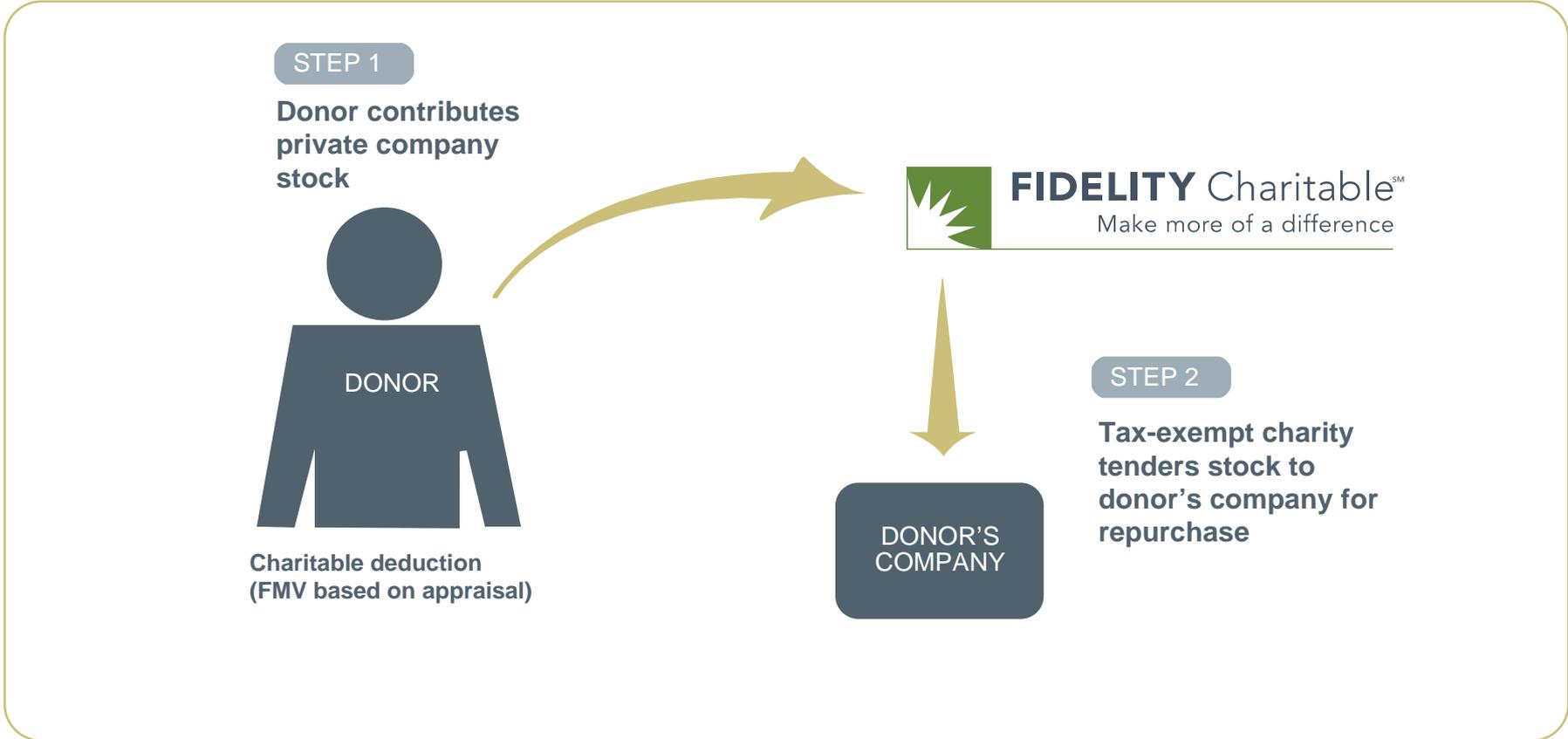


Risk Management



Charitable Recipient

# Giving While Still Operating: Corporate Redemption



# Giving in Advance of a Business Exit/Transition

## The Good Outcome: FMV deduction for donor, charity receives cash



\* During negotiations, material terms of sale cannot be final before involving charity in sale of company.

# The Power of Donating Complex Assets to a DAF at a Public Charity

	Donor-Advised Fund (DAF)*	Directly to Public Charity	Private Foundation (PF)
<b>Tax deduction</b>	Fair market value	Fair market value	Cost basis
<b>Expertise handling complex assets</b>	Internal expertise (some may outsource)	May need to outsource—could reduce net amount	Generally outsource
<b>Deduction limitation (federal)</b>	30%	30%	20%
<b>Other tax considerations</b>	Minimize tax on gain from sale of asset	Minimize tax on gain from sale of asset	Complicated rules and regulations
<b>Ability to diversify giving with one asset</b>	Multiple grants to many charities with one asset	100% of asset to one charity	Multiple grants to many charities with one asset
<b>Confidentiality</b>	Anonymity	May generate additional fundraising	May generate additional fundraising
<b>Efficiency</b>	One point of contact for transaction	Multiple charities requires multiple contacts	One point of contact for transaction

\*At a 501(c)(3) public charity.

# Who Benefits When Donating Complex Assets to a DAF?

## Donor

- Minimizes capital gains tax
- Generally entitled to fair market value tax deduction\*
- Provides immediate and ongoing support to multiple charities on his or her own timetable with one transaction

## Advisor

- Demonstrates high impact giving strategy to client; a key differentiator
- Leverages experts in charitable sector to facilitate transaction
- Expands network of charitable clients through word-of-mouth referrals

## Charity

- May potentially receive bigger gift from donor
- Avoids cost and work involved with diligence and oversight requirements
- Stays focused on core charitable mission

\* Donors are generally entitled to a tax deduction of the full fair market value of the complex asset, not just the original cost basis like a private foundation.

# Contact Us

**Donating  
complex assets  
is not  
complicated**

Call early, call often. We can help.

{Fidelity Charitable Contact Name}

Phone #

Email address

# Disclosures

Information provided is general and educational in nature and should not be construed as legal or tax advice. Fidelity Charitable does not provide legal or tax advice. Content provided relates to taxation at the federal level only, and availability of certain federal income tax deductions may depend on whether you itemize deductions. Rules and regulations regarding tax deductions for charitable giving vary at the state level, and laws of a specific state or laws relevant to a particular situation may affect the applicability, accuracy, or completeness of the information provided. Charitable contributions of capital gain property held for more than one year are usually deductible at fair market value. Deductions for capital gain property held for one year or less are usually limited to cost basis. Consult an attorney or tax advisor regarding your specific legal or tax situation.

Fidelity makes no warranties with regard to the information provided or results obtained by its use. Fidelity disclaims any liability arising out of your use of, or any tax position taken in reliance on, the information furnished herein.

To ensure compliance with Treasury Department Circular 230, you are hereby notified that: (a) any discussion of federal income tax issues in this presentation is not intended or written to be relied upon, and cannot be relied upon, by you for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code; (b) such discussion is being used in connection with the promotion or marketing (within the meaning of Circular 230) by Fidelity Charitable of the matter addressed herein; and (c) you should seek advice based on your particular circumstances from an independent tax advisor.

Fidelity Charitable is the brand name for Fidelity® Charitable Gift Fund, an independent public charity with a donor-advised fund program. Various Fidelity companies provide services to Fidelity Charitable. The Fidelity Charitable name and logo are service marks, and Fidelity is a registered service mark, of FMR LLC, used by Fidelity Charitable under license.