



Professional Advisor Network

September 2023 Newsletter

Last chance for CEUs, gifts of grain, appreciated stock, and supporting charities through the sale of a business



Greetings from the community foundation!

Fall is upon us, and philanthropy is on the minds of many. That's not only because you and other attorneys, accountants, and financial advisors frequently start year-end planning for your clients in September, but it's also because charitable individuals and families are looking closely at their charitable giving goals and budgets for the year and setting in motion the gifts they want to make before 2023 winds up.

The community foundation is here to assist you as you guide your clients in executing their philanthropy plans for the remainder of 2023. In that spirit, we'd love to draw your attention to three important topics:

1. Details for how to gift grain to your favorite charity

2. The power of appreciated stock

We just can't say this enough! Attorneys, accountants, and financial advisors like you are well aware of the tremendous benefits your clients get when they give appreciated stock, instead of cash, to their donor-advised funds at the community foundation. Unfortunately, the message often does not get through to clients. A regular reminder from you is so important to ensure that your clients are maximizing their charitable giving dollars to not only support their favorite causes, but also to optimize their own financial plans. Despite the rocky stock market, many stocks are [way up](#) in 2023.

3. Business sale on the horizon?

Your clients who own businesses might be eyeing some analysts' [predictions](#) that mergers and acquisitions may pick back up in 2024. That's good news for clients who are looking at possible exit strategies. If these clients are charitable, though, start talking about it now. Gifting shares of closely-held businesses to a fund at the community foundation is a brilliant strategy, but you must think way ahead to avoid running afoul of IRS rules. The community foundation can help.

Last call for RSVPs for CEUs

Professional advisors are invited to the virtual presentation of the Annual Estate & Charitable Planning Institute on Wednesday, September 27th, at our office in Morris.



This all-day live workshop features Professor Samuel A. Donaldson of Georgia State University, Pamela J. Davidson of Davidson Gift Design, and Phil Purcell, of the Salvation Army Central Territory.

Professional advisors who attend all day will receive CEUs, including 1 hour of Ethics. Eligible CEUs include CLE, CPE, CE, CLU, ChFC, CTFA, CAP, and CFP.

The event begins at 8:30 am and ends at 3:30 pm. We will provide coffee and lunch as well as pay your registration fee.

Please RSVP by September 22nd to [815-941-0852](tel:815-941-0852) or julie@cfgrundycounty.com.



Gifts of grain - know the technical details

We're always suggesting that your farmer clients "gift grain to their favorite charities at harvest time." But what exactly does that mean and what are the steps?

[with your farming clients!](#)

[This article has great details to share](#)



Keep your eye on clients' appreciated stock -- always

Such a difference a year makes-- maybe?!

By August 2022, markets were [down 12%](#) for the year and inflation was [up 8.3%](#) year-over-year. Perhaps consequently, but then unknown, annual charitable giving was on its

way to a rare (fourth time in 40 years) year-over year decline of some 4% according to [Giving USA](#). Certainly this decline was due in part to donors not

wanting to give stock at depressed values. You likely even discussed this with your clients!

Nearly 12 months later, as of July 2023, markets were [up 7.28%](#) year to date and inflation was roughly half at [4.7%](#) year-over-year. Even though the stock market still shows signs of volatility, hopefully, charitable giving will rebound.

No matter the times, and even in down markets, some stocks will still out-perform. These holdings are of course excellent candidates for your clients to give to charity and avoid taxes on the capital gains. This year is no different, with stocks like Microsoft, Apple, Nvidia, among others, enjoying banner years. Indeed, Microsoft, Apple, and Nvidia were up 38%, 36% and 228%, respectively through mid-August. For some of your clients, these gains have created [concentrated stock positions](#) where you, as an advisor, may believe that portfolio allocations have become imbalanced under the investment strategy you are pursuing. Your clients who support charities through their donor-advised funds at the community foundation can consider potentially alleviating this situation through charitable gifts of highly-appreciated stock.

Your clients who give appreciated stock to a donor-advised fund can:

- Enjoy the ease of the donor-advised fund as an account for current and future charitable giving
- Conveniently support the causes they and their families care most about
- Maintain a mix of assets in the donor-advised fund account that are consistent with the client's investment philosophies
- Benefit from an up-front income tax deduction, avoid capital gains on the assets' sale within the fund, and grow the proceeds for future grantmaking
- Leave a legacy for children and grandchildren to continue their philanthropic commitments
- Reduce the value of their taxable estate, potentially reducing estate taxes
- Comply with IRS charitable gifting guidelines
- Enjoy supporting charities in the client's name, the fund's name, or anonymously
- Receive a single year-end tax document that summarizes all gifts for tax purposes

By establishing a donor-advised fund at the community foundation, your client is part of a community of giving and will have opportunities to collaborate with other donors who share their interests. In addition, your client is supported in strategic grant making, family philanthropy, and opportunities to gain deep knowledge about local issues and nonprofits making a difference.

So while it's nice to see the market's performance improve, a bonus opportunity lies in your clients' transferring appreciated stock to donor-advised funds at the community foundation. We are here to help!

**For clients who may sell a
business, the time to think**



charitably is right now

Business owners who've enjoyed summertime's more relaxed energy can deservedly daydream about the "extended vacation" that comes with selling the business!

While it all sounds good, business brokers will tell you that many

business owners fail to optimize—and they sometimes even compromise—the value of their business's proceeds by rushing the process, hastily determining an asking price, or not fully assessing the value of their business to a potential buyer. In their haste, owners often miss strategies that can deliver an improved post-sale result and a true reward for their years of work.

The community foundation can be a valuable resource as you guide a business owner client through a pre-sale preparation process. This is especially true for a business that has operated for many years and has accumulated significant unrealized capital gains in its valuation that are likely to be heavily taxed at the time of the sale.

Many closely-held business owners and their advisors may not be fully aware of the advantages of [giving shares](#) to a donor-advised fund at the community foundation well in advance of any external discussion about a potential sale of the business. With prudent planning, the gifted shares will be free of capital gains at sale time, allowing the proceeds to flow into the donor-advised fund, ready to be deployed to meet the business owner's charitable goals. The business owner also benefits because they've reduced the value of their taxable estate. This can have huge repercussions given the anticipated [reduction](#) of the estate tax exemption slated for 2025.

Remember that it will be important to secure a [proper valuation](#) of the business at the time the business owner makes a gift of shares in order to comply with [IRS requirements](#) for documenting the value of the charitable deduction.

Critically important to successfully executing this strategy is to ensure that your client avoids even any preliminary discussions about sale, let alone negotiations, before consulting with advisors, including looping in the community foundation early on. Otherwise, your client might get caught in the IRS's [step-transaction trap](#), a risk with any pre-sale gift to charity of real estate, closely-held stock, or other alternative asset. Definitely, the devil is in the details!

By the way, if you routinely advise owners of closely-held businesses, and if you like to go deep into tax law, you might enjoy reviewing the [issues](#) related to the business itself supporting charitable causes, totally unrelated to its eventual sale.

Please reach out to the community foundation team if a business owner client would like to explore the idea of potentially giving a portion of the business to a donor-advised fund or other type of fund at the community foundation. We can work alongside you and the client to help optimize the exit and maximize the resulting proceeds.

7-minute video: Planned Giving Tools for Non-Cash Assets

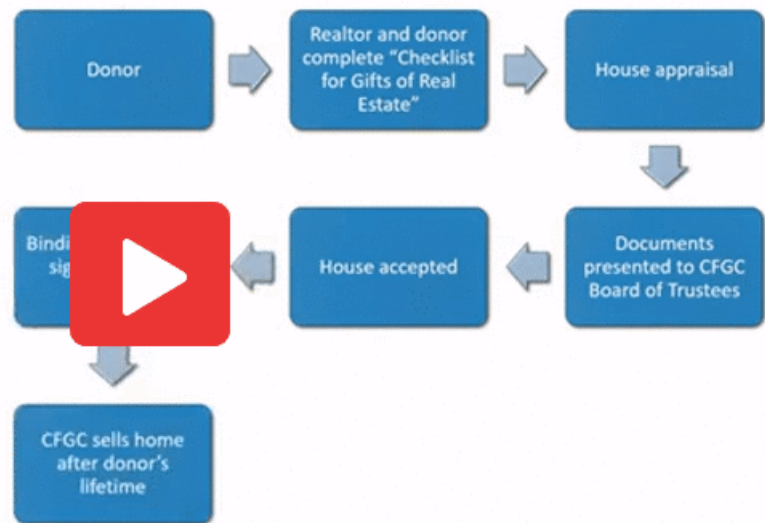
How can your clients use non-cash assets to design funds at the Community Foundation of Grundy County to benefit their favorite charities?

Retained Life Estate

Related to gifts of farmland, the donor can also gift the farmhouse* and retain the right to live there for the remainder of their lifetime.

The binding agreement will spell out the donor's responsibility for property upkeep and maintenance.

*for non-farm donors, gifts of vacation homes, etc., are assets that can be gifted.



Looking for back issues? You can find and print them at <https://cfgrundycounty.com/adv...>

The team at the community foundation is a resource and sounding board as you serve your philanthropic clients. We understand the charitable side of the equation and are happy to serve as a secondary source as you manage the primary relationship with your clients. This newsletter is provided for informational purposes only. It is not intended as legal, accounting, or financial planning advice.

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