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## Financial Securities Donation Policy

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Salem institutes a financial securities donation policy effective July 1, 2008 for the following reasons:

- To be better stewards of the resources entrusted to Salem
- To avoid the risk of market timing by the Treasurer, Stewardship Team, & Council
- To make the funds available for use in a timely manner (generally within four weeks)

**Why Donate:** There are significant tax advantages to donating stock or other securities that have appreciated in value. Securities donated to a qualifying charity can be deducted on the donor's income tax return as a charitable contribution for the value of the security at the time of the donation. Any capital gains tax on the transaction is no longer due. If the security's tax basis has depreciated below the original cost, the donor should convert the security to cash to take advantage of the capital loss.

For example, if you had 100 shares of IBM stock that you bought years ago for \$25 (or \$2,500) that is now trading for \$35 (\$3,500), you could donate the stock to Salem. Upon donation, you are eligible to recognize a charitable contribution of \$3,500 on your individual tax return (Schedule A) and **not** have to pay income tax on the \$1,000 gain. If you sold the security and donated the cash, you would be responsible for paying tax on the \$1,000 gain.

Most tax scenarios fit into this category, however, to be certain that this does apply to your situation; you should confirm it with your tax professional. In addition, the IRS Tax Code is subject to change at any time without notice.

**How to Donate:** If you would like to donate securities to Salem, please contact Salem's financial broker, currently Bob Carr or Keith Cash with Commerce Brokerage, at 816-234-2922. Let Commerce know what security you intend to transfer and when. They will provide you with the necessary information for electronic transfer or stock certificates.

In addition, please contact Salem's Financial Secretary, currently Kathy Kostroske. The Financial Secretary will need to know your intended use of the funds, (annual commitment, building fund, memorial funds, etc.) for proper recordkeeping. Also, the Financial Secretary or Commerce Brokerage will compute the value of the contribution by taking the simple average of the high and the low trading price on the day the securities were transferred to Salem's account. This method is used since the conversion to cash may take a few days. Upon donation Salem's Treasurer, currently Tim Rehder, may contact you to obtain any additional information regarding the security to ensure value prior to the timely conversion to cash.

The value of the donation will be included on the annual statement provided by the Financial Secretary. In most cases, there will be a transfer fee applied by your financial advisor to transfer the security to Salem. This fee is dependent on the financial advisor used, the type of security, and the size of the contribution. A similar fee would be charged at any time you chose to transfer or sell the security.

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Donating securities is an excellent way to meet your stewardship obligation to Salem **and** receive a tax advantage through a charitable deduction while avoiding the capital gains tax. Generally, the securities transferred have a large capital gain built into them to maximize the tax advantages. Other securities to consider are savings bonds, mutual fund shares, etc.