

## HOW TO MAKE A GIFT OF APPRECIATED SECURITIES TO CALIFORNIA POLYTECHNIC STATE UNIVERSITY

As you consider tax-wise ways of giving to Cal Poly, you may want to analyze the benefits of giving appreciated securities. Long-term appreciated stock (those held longer than 12 months) are particularly beneficial to give because you receive a charitable deduction for the full fair market value of the gift and, in addition, you avoid paying capital gains tax on the appreciation. A charitable income tax deduction is allowed for up to 30% of your adjusted gross income in the year of the gift. Any unused portion can be carried forward for up to an additional five years.

Here is how such a gift works:

Mr. and Mrs. Mustang, who are in the 31% income tax bracket, would like to make a charitable gift to the University. They are interested in giving some of their stock, which has appreciated greatly over the years. They select stocks with a current value of \$2,500, purchased several years ago for \$500. By contributing the securities to Cal Poly, they realize a \$2,500 charitable deduction, which saves them \$775 in income taxes (31% of \$2,500). In addition, Mr. and Mrs. Mustang avoid the potential capital gains tax of \$400 on the \$2,000 appreciation (20% of \$2,000).

Mr. and Mrs. Mustang's actual cost of the \$2,500 gift of stock is only \$1,325 (or \$2,500 less \$775 less \$400). In other words, the cost of their gift is only 53% of the face value of the gift. In addition, their taxes may be further reduced because of state income tax deductions.

### EASY STEPS FOR TRANSFERRING SECURITIES

The rules for transferring securities, while not complicated, are strict. You will want to exercise care to assure that your stock transaction is completed correctly. The same rules apply to giving shares of a mutual fund. If you have any questions about the following instructions please call Lisa Rockwell-Harpster, Trust Administrator for the Cal Poly Foundation, at (805)756-5577.

Remember, the amount of your deduction depends on the value of the securities on the date the gift is completed. This date may be important for your tax planning, particularly at year-end.

**IF THE SECURITIES ARE HELD BY A BANK, BROKER OR MUTUAL FUND COMPANY:**

1. Write your bank, broker or mutual fund company a letter (a sample letter is attached) which contains the following statement:

You are requested and authorized to make a gift of (number) shares of (name of stock or mutual fund) to the California Polytechnic State University Foundation (federal tax identification number 20-4927897) effective today (date), to benefit the \_\_\_\_\_ (college, department, program, endowment) of California Polytechnic State University.

Please transfer these shares to the California Polytechnic State University Foundation via the Depository Transfer Company ("DTC") to its Charles Schwab account at Kaspick and Co., DTC#0164 account 5084 -1964.

2. Enclose the attached Security Transfer Instructions.

3. Send a copy of your letter to:

California Polytechnic State University Foundation  
c/o Trust & Endowment Department  
Administration Building #15  
San Luis Obispo, CA 93407

4. The Cal Poly Foundation, upon receipt of your letter, will promptly contact your bank, broker or mutual fund company to arrange disposition of the stock or mutual fund.

**Note:**

The gift is complete for tax purposes when the securities are transferred into the California Polytechnic State University Foundation brokerage account. It does not matter whether the securities are registered in your name, "street name," or certificate form. The details will be handled by your broker and the Cal Poly Foundation staff.

**IF THE SECURITIES ARE IN CERTIFICATE FORM IN YOUR POSSESSION:**

1. Send your certificate without any endorsement to:

California Polytechnic State University Foundation  
c/o Trust & Endowment Department  
Administration Building #15  
San Luis Obispo, CA 93407

along with a letter indicating how you would like your gift to benefit Cal Poly.

2. In a separate envelope, send a blank, but signed, stock power and ownership disclaimer form with a copy of the letter that was mailed with your certificate to the Cal Poly Foundation. The certificate is negotiable only when joined with the stock power.

**Note:**

Regular first-class mail provides for sufficient protection. However, you may send these items by certified mail if you wish. Stock powers and ownership disclaimer forms may be obtained at any bank or broker's office. The gift becomes effective on the date you mail the certificate and the stock power/ownership disclaimer in the U.S. mail.

You may hand deliver the certificate to the Cal Poly Foundation, where you can sign a stock power form and an ownership disclaimer form.

If the certificates are in your name, it is not recommended to have them re-registered in the Cal Poly Foundation's name, as this may take four to eight weeks to achieve.

## **ESTABLISHING THE GIFT'S VALUE**

The gift value of the securities is the average of their high and low prices on the date of the gift. For mutual fund shares, the net asset value (NAV), at the close of business on the date of the gift, is used to establish the value of the gift.

## **FINAL NOTE**

Gifts of appreciated securities are an excellent way to provide for the University, its students and programs. Such gifts can also be used to create planned gifts, which provide you (and your spouse) with an income for life. Our Planned Giving and Endowments Office would be delighted to talk with you and your advisors about how such life income arrangements can be useful as part of your estate plan. They can be reached toll-free at (800)549-2666, or (805)756-7125, via fax at (805)756-2711 or e-mail at [plannedgiving@calpoly.edu](mailto:plannedgiving@calpoly.edu).

## Sample Stock Transfer Instruction Letter

Date: \_\_\_\_\_

Broker Name: \_\_\_\_\_

Broker Address: \_\_\_\_\_

Broker Telephone Number: \_\_\_\_\_

Re: \_\_\_\_\_ (account number)

You are requested and authorized to make a gift of \_\_\_\_\_ (number) shares of \_\_\_\_\_ (name of stock or mutual fund) to the California Polytechnic State University Foundation (federal tax identification number 20-4927897) effective today (date), to benefit the \_\_\_\_\_ (college, department, program, endowment) of California Polytechnic State University.

Please transfer these shares to the California Polytechnic State University Foundation via the Depository Transfer Company ("DTC") to its Charles Schwab account at Kaspick and Co., DTC #0164 - account 5084 -1964.

Thank you for your assistance.

(Your signature may need to be guaranteed on this letter.  
Also, print out your name, address and phone number.)

Enclosure: Security Transfer Instructions

cc: California Polytechnic State University Foundation  
c/o Trust & Endowment Department  
Administration Building #15  
San Luis Obispo, CA 93407  
Phone: (805)756-5577  
Fax: (805)756-0180  
E-mail: lrockwel@calpoly.edu

## Security Transfer Instructions

### Broker Contact:

Charles Schwab Account at Kaspick & Co.,  
DTC #0164 - Account 5084-1964  
Contact: Marina Gallardo, (650) 585-4120

### Cal Poly Foundation Contact:

Lisa Rockwell-Harpster, Trust Administrator  
Cal Poly Corporation  
Administration Building #15  
San Luis Obispo, CA 93407  
Phone: (805)756-5577  
Fax: (805)756-0180  
E-mail: lrockwel@calpoly.edu

### **Note:**

Please inform broker and Cal Poly Foundation contact before initiating a DTC transfer. Include information concerning security description, shares and transfer initiation date.

### **Important:**

Pursuant to Internal Revenue Service regulations, the effective date of the gift for valuation and charitable deduction purposes is the date the securities are transferred into the Foundation's brokerage account. If the transfer needs to be made by a specific date, please allow sufficient time for DTC transfer to take place.