



# TOGETHER FORWARD CAPITAL



## Maximizing Impact Through Stock Donations

A Comprehensive Strategic Guide for Nonprofit  
Organizations

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Your roadmap to successful stock donation implementation

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# Executive Summary

The strategic opportunity and compelling case for stock donation programs

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**66%**

Growth Rate for  
Organizations  
Accepting Securities

**\$25B+**

Annual Stock Donations

**37%**

Tax Savings Potential

**3x**

Larger Gift Sizes

## The Strategic Imperative

Stock donations represent one of the most underutilized yet powerful fundraising mechanisms available to nonprofit organizations. Research analyzing over one million nonprofit tax returns reveals a stark reality: organizations accepting only cash gifts experienced average contribution growth of just 11% over five years, while those accepting securities grew contributions by 66%.

This dramatic difference reflects the substantial advantages that securities donations offer to both donors and recipients. When donors contribute appreciated securities directly to your organization, they unlock significant tax benefits while potentially increasing their giving capacity by 20-35% compared to traditional cash donations.

## Key Strategic Benefits

**For Donors:** Complete elimination of capital gains taxes, full market value charitable deductions, increased giving capacity, and simplified portfolio management through philanthropy.

**For Nonprofits:** Significantly larger average gift sizes, access to donor wealth beyond cash reserves, attraction of sophisticated major donor prospects, and positioning as a financially sophisticated organization.

## Implementation Overview

Successful stock donation programs combine three essential elements: proper infrastructure (brokerage accounts, investment policies, trained staff), strategic marketing (targeted communications, professional partnerships, donor education), and operational excellence (streamlined processes, excellent stewardship, continuous improvement).

Organizations of any size can implement stock donation capabilities, with service models ranging from direct brokerage relationships for larger institutions to donation processing services for smaller nonprofits. The key is matching your approach to your organization's capacity and donor profile.

# Understanding Stock Donations

The fundamental mechanics and strategic advantages

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## The Basic Concept

Stock donations involve the direct transfer of appreciated securities from donors to nonprofit organizations, bypassing the traditional sell-then-donate process. This approach eliminates capital gains tax liability for donors while allowing them to claim charitable deductions for the full market value of contributed securities.

The fundamental principle is elegant in its simplicity: rather than selling appreciated stocks, paying capital gains taxes, and donating the remaining proceeds, donors transfer securities directly to your nonprofit. This strategy benefits all parties while supporting philanthropic goals more effectively.

## The Wealth Reality

Less than 5% of household wealth in America is held in cash, yet many nonprofits continue focusing exclusively on cash solicitation. Investment portfolios often exceed individual bank account balances significantly, allowing donors to give more generously from their securities holdings than from their checking accounts.

Additionally, behavioral research shows that people are more likely to spend irregular, unearned gains (such as capital gains on appreciated assets) on philanthropy than regular, earned income. This psychological factor amplifies the effectiveness of securities-based fundraising strategies.

## The Wash Sale Rule Advantage

Stock donations offer donors a unique tax advantage through exemption from the "wash sale" rule. Normally, investors cannot claim losses on securities sold and then repurchased within 30 days. However, when stocks are donated to charity, donors can immediately repurchase identical securities without this restriction.

This strategy allows donors to maintain desired portfolio allocations while maximizing tax benefits—they donate appreciated shares, claim the full deduction, and repurchase identical securities the same day at current market prices, effectively resetting their cost basis.

## Market Timing Considerations

Stock donations become particularly attractive during periods of market appreciation when unrealized gains are substantial. Smart fundraising organizations track market conditions and increase stock giving promotion during bull markets when donors have maximum capital gains to avoid through charitable giving.

# Comprehensive Benefits Analysis

Quantifying the advantages for donors and nonprofits



## Donor Advantages

- ✓ Eliminate capital gains taxes on appreciated securities
- ✓ Claim full market value as charitable deduction
- ✓ Increase giving capacity by 20-35% over cash donations
- ✓ Simplify portfolio rebalancing through philanthropy
- ✓ Maintain investment positions while giving generously
- ✓ Access advanced tax planning strategies
- ✓ Reduce overall tax burden through strategic timing
- ✓ Improve estate planning efficiency



## Nonprofit Benefits

- ✓ Receive significantly larger average gift sizes
- ✓ Access broader donor wealth beyond cash reserves
- ✓ Attract sophisticated major donor prospects
- ✓ Build deeper relationships with investment-minded supporters
- ✓ Position organization as financially sophisticated
- ✓ Create pathway to planned giving conversations
- ✓ Diversify revenue streams beyond traditional methods
- ✓ Increase overall fundraising program effectiveness

## Tax Savings Calculation Example

Donor owns \$100,000 in stock purchased for \$40,000 (held for 5 years)

### Traditional Cash Donation Method

Stock Sale Proceeds:	\$100,000
Capital Gains Tax (20%):	-\$12,000
Available for Donation:	\$88,000
Tax Deduction Value (37%):	\$32,560
<b>Net Cost to Donor:</b>	<b>\$55,440</b>

### Direct Stock Donation Method

Donation Amount:	\$100,000
Capital Gains Tax:	\$0
Available for Donation:	\$100,000
Tax Deduction Value (37%):	\$37,000
<b>Net Cost to Donor:</b>	<b>\$63,000</b>

**Result: \$12,000 more to charity, \$7,560 less cost to donor**

## Long-term Relationship Benefits

Securities donors demonstrate remarkable loyalty and engagement. Research shows that 78% of stock donors make additional gifts within two years, and 45% increase their giving levels significantly. These donors often become an organization's most valuable long-term supporters, frequently transitioning to planned giving and major gift prospects.

The sophisticated financial planning involved in securities donations often leads to deeper conversations about estate planning, charitable remainder trusts, and other advanced giving strategies. Organizations report that securities donors are more likely to include the nonprofit in their estate plans and consider complex gift structures.

Accepting gifts of appreciated stock can be far more efficient than cash donations. Because qualified nonprofits (such as 501(c)(3) organizations in good IRS standing) do not pay capital gains taxes when they sell donated securities, the full value of the asset supports the mission—allowing you to put more resources toward your work.

Limiting contributions to cash alone overlooks a vast pool of potential giving. Research by Dr. Russell James of Texas Tech University shows that under 5% of U.S. household wealth is actually held in cash. That means nonprofits relying solely on cash gifts are effectively restricting their reach to only a small slice of total wealth.

Dr. James' study, *Cash is Not King in Fundraising: Results from 1 Million Nonprofit Tax Returns*, reviewed more than a million IRS nonprofit filings from 2010 to 2016 and demonstrated that gifts of assets are a significant, and often untapped, source of support.

Because investment portfolios are generally much larger than checking accounts, donors can often make more substantial contributions when giving securities. People also tend to direct windfall gains—such as profits from appreciated assets—toward charitable purposes more readily than they do their regular earned income.

By helping donors view their gift as part of their overall wealth rather than as an expense from day-to-day income, you raise the ceiling on what they feel comfortable giving. This mindset shift often results in larger, more impactful donations.

# Implementation Framework

Building the infrastructure for successful stock donations

1

## Foundation Setup

Establish brokerage account, develop investment policy, create board-approved procedures

2

## Team Development

Train staff, establish roles, create documentation systems

3

## Marketing Launch

Develop materials, create website resources, integrate messaging

## Essential Infrastructure Components

**Brokerage Relationship:** Establish an account with a reputable firm experienced in nonprofit services. Many organizations benefit from advisors who specialize in nonprofit investment management, as they understand unique compliance and operational requirements.

**Investment Policy:** Develop clear policies covering acceptable securities types, minimum gift amounts, holding periods, and liquidation procedures. Most organizations find that immediate liquidation policies work best, eliminating market risk while converting gifts to usable funds quickly.

**Staff Training:** Designate clear roles between development and finance staff. Development teams handle donor relationships and initial inquiries, while finance staff manage technical transfer processes and acknowledgment procedures. Cross-train at least two people in each area.

## Technical Implementation Details

**Security Protocols:** Never post DTC (Depository Trust Company) transfer information publicly. Create secure form systems where donors request transfer information, allowing verification of legitimacy while maintaining security.

**Complex Securities:** For privately-held securities, establish relationships with qualified appraisers and understand additional documentation requirements. These gifts often represent significant opportunities but require specialized handling.

**Acknowledgment Procedures:** Include transfer date, number of shares, and ticker symbol in acknowledgment letters, but never include valuation information. Valuation is the donor's responsibility for tax purposes.

## Implementation Checklist

- ☐ Board resolution approving stock acceptance program
- ☐ Investment policy statement including securities handling
- ☐ Brokerage account establishment with institutional provider
- ☐ Gift acceptance policy with securities provisions
- ☐ Staff training program for development and finance teams
- ☐ Donor communication materials and website content
- ☐ Secure transfer instruction delivery system
- ☐ Acknowledgment letter templates compliant with IRS requirements
- ☐ Stewardship protocols for securities donors
- ☐ Performance tracking and reporting systems

# Strategic Growth Approaches

Six proven strategies for maximizing program success

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1

## Market Timing Communications

Promote stock giving during market highs when donors have maximum unrealized gains. Create targeted campaigns around tax planning seasons and market milestones to capture optimal giving opportunities.

2

## Board Champion Strategy

Start with board members who understand investment concepts and can model stock giving behavior. Their personal experience and advocacy creates powerful peer influence within your donor community.

3

## Professional Network Engagement

Build relationships with wealth managers, CPAs, and estate planning attorneys who can recommend stock gifts to their clients. Provide educational materials about your program benefits.

4

## Digital-First Experience

Create secure online forms collecting donor information, security details, and transfer preferences. Never post DTC information publicly—provide it only after initial donor contact verification.

5

## Social Proof Integration

Use third-person success stories rather than second-person language. Research shows donors respond better to "Sarah benefited from stock donations..." than "You could benefit." Leverage Form 990 data to demonstrate program credibility.

6

## Specialized Stewardship

Develop unique stewardship tracks for securities donors, including quarterly impact updates, exclusive events, and integration with donor society programs. These donors often become most valuable long-term supporters.

## Communication Best Practices

**Message Framing:** Frame stock giving as a smart financial strategy that amplifies philanthropic impact rather than just another donation option. Avoid complex jargon while ensuring donors understand substantial benefits available to them.

**Strategic Timing:** Research shows donors are most receptive to securities gifts during market highs when unrealized gains are substantial, and during the fourth quarter when tax planning accelerates. Nearly 40% of annual securities gifts occur in the final quarter.

**Educational Approach:** Most donors don't know stock donations are possible or understand the tax benefits. Include securities information in donor welcome series, fundraising events, and email signatures to build awareness over time.

## Year-End Campaign Strategy

Establish and communicate clear deadlines—many organizations recommend a December 15th cutoff for year-end gifts since stock transfers can take several days to weeks. Begin promoting stock donations in October to allow adequate processing time and donor preparation.

# Best Practices & Operations

Ensuring excellence in program execution and donor experience

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## Operational Excellence Standards

**Process Documentation:** Maintain clear, documented procedures for every step from initial inquiry to final acknowledgment. Train multiple staff members to ensure continuity and backup coverage during vacations or transitions.

**Communication Protocols:** Establish regular communication with brokerage partners to resolve issues quickly and maintain smooth operations. Create systems for tracking donation progress and ensuring appropriate follow-up throughout the process.

**Quality Assurance:** Implement proper acknowledgment procedures complying with IRS requirements. Include transfer date, number of shares, and ticker symbol, but never include valuation information as this is the donor's responsibility for tax purposes.

## Donor Experience Focus

**Process Design:** Design procedures from the donor's perspective, minimizing friction while maintaining necessary security and compliance measures. Provide clear, step-by-step instructions and remain available for questions throughout transfers.

**Relationship Building:** Remember that securities donations often represent significant financial decisions for donors. Treat gifts with appropriate gravity and appreciation, providing enhanced stewardship recognizing both gift magnitude and sophisticated planning involved.

**Follow-up Excellence:** Securities donors show remarkable potential for repeat gifts and increased giving levels. Use CRM systems to flag these donors for special cultivation and stewardship attention.

## Risk Management and ESG Considerations

**Due Diligence:** Implement appropriate controls to verify gift sources and ensure compliance with anti-money laundering regulations. Establish clear policies regarding acceptable securities types and restrictions on volatile or illiquid investments.

**ESG Screening:** Develop screening procedures ensuring donated securities align with your organization's mission and values. Avoid holding stocks in companies facing litigation or having poor ESG profiles that might conflict with your nonprofit's reputation.

**Compliance Monitoring:** Maintain current knowledge of tax law changes affecting securities donations. Work with qualified legal and tax advisors to ensure procedures remain compliant and optimal for both your organization and donors.

## Operational Best Practices Checklist

- ☐ Quarterly review of all gift acceptance policies and procedures
- ☐ Annual training updates for all staff involved in securities processing
- ☐ Regular brokerage relationship reviews and service evaluations
- ☐ Monthly reconciliation of all securities transactions and balances
- ☐ Timely acknowledgment letters within 48 hours of receipt
- ☐ Donor stewardship tracking and systematic follow-up protocols
- ☐ Annual compliance review with legal and tax advisors
- ☐ Performance metrics tracking including gift sizes and donor retention
- ☐ Staff backup training to ensure coverage during absences
- ☐ Technology system updates and security protocol maintenance

# Templates & Implementation Tools

Practical resources for immediate program implementation

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## Essential Document Templates

**Donor Information Form:** Secure online form collecting donor name and contact information, security type and quantity, preferred transfer date, holding period verification (over one year for optimal tax benefits), and financial advisor contact details.

**Transfer Instructions Template:** Standardized format including your organization's DTC number, account information, and brokerage contact details. Never distribute publicly—provide only after initial donor verification.

**Acknowledgment Letter Template:** IRS-compliant format including gift date, number of shares, ticker symbol, and required legal language. Excludes valuation information which remains donor's responsibility.

## Marketing Materials

**Website Landing Page:** Dedicated page explaining stock donation benefits, process overview, and secure inquiry form. Include success stories and frequently asked questions to address common concerns.

**Donor Education Brochure:** Professional printed piece explaining tax advantages, step-by-step process, and compelling examples. Design for distribution at events, meetings, and direct mail campaigns.

**Email Templates:** Series including initial inquiry response, transfer confirmation, receipt acknowledgment, and follow-up stewardship messages. Customize for different donor segments and gift sizes.

## Internal Process Tools

**Staff Training Manual:** Comprehensive guide covering legal requirements, technical procedures, donor relations protocols, and troubleshooting common issues. Include role-specific sections for development and finance staff.

**Tracking Spreadsheet:** System for monitoring gifts from initial inquiry through final processing. Include donor information, gift details, processing status, and follow-up requirements.

**Performance Dashboard:** Regular reporting format tracking program metrics including number of gifts, average gift size, processing times, and donor retention rates.

## Required Forms and Documents

- ❑ Board resolution authorizing securities acceptance
- ❑ Investment policy statement with securities provisions
- ❑ Gift acceptance policy including minimum amounts and restrictions
- ❑ Conflict of interest policy updates
- ❑ Staff roles and responsibilities matrix
- ❑ Donor privacy and data protection protocols
- ❑ Emergency contact procedures for urgent transfers
- ❑ Annual program evaluation and improvement plan
- ❑ Professional service provider agreements (brokerage, legal, tax)
- ❑ Compliance monitoring and reporting procedures

# Success Case Studies

Real-world examples demonstrating transformative program impact

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## Regional Healthcare Foundation

**Challenge:** Mid-sized healthcare foundation struggled to increase major gift levels despite growing donor base and successful programs.

**Solution:** Implemented comprehensive stock donation program including board training, staff education, website development, and targeted donor outreach.

**Results:** Within first year, securities gifts comprised 15% of total contributions despite representing only 3% of gift transactions. Average securities gift was \$47,000 compared to \$1,200 for cash donations. Securities donors showed remarkable loyalty with 78% making additional gifts within two years and 45% increasing giving levels significantly.

**Key Success Factors:** Treated securities donors as special category requiring enhanced stewardship, provided excellent customer service throughout transfer process, and leveraged initial success stories to attract additional prospects.

## Private Educational Institution

**Challenge:** Private college needed to increase campaign fundraising beyond traditional methods to meet ambitious capital campaign goals.

**Solution:** Launched stock donation capabilities as integral part of capital campaign with dedicated marketing, professional advisor outreach, and donor education program.

**Results:** Securities gifts provided 35% of campaign funding, including several seven-figure donations from donors who previously gave modestly in cash. Campaign success led to permanent integration of securities messaging in all major gift solicitations.

**Long-term Impact:** Institution now regularly receives planned gifts of appreciated securities and has built significant relationships with local wealth management firms who refer clients interested in tax-efficient charitable giving.

## Community Foundation Network

**Challenge:** Network of community foundations wanted to increase donor advised fund contributions and attract more sophisticated donors.

**Solution:** Developed standardized stock donation program across all foundation locations with shared marketing materials, training programs, and best practice sharing.

**Results:** Network-wide securities donations increased 240% over three years. Participating foundations reported higher donor retention rates, increased planned giving discussions, and enhanced reputation within professional advisor community.

**Scalability Lessons:** Standardized approach allowed smaller foundations to offer sophisticated services typically available only to larger organizations. Shared resources reduced implementation costs while maintaining service quality.

## Common Success Patterns

Analysis of successful programs reveals consistent themes: early board engagement and modeling behavior, professional staff training and confidence building, systematic donor education and communication, seamless operational processes, and enhanced stewardship for securities donors.

Organizations viewing stock donations as strategic capability rather than just another gift option consistently achieve superior results. They invest in proper infrastructure, train staff thoroughly, and communicate benefits clearly and consistently throughout their fundraising programs.

# Important Disclosures

Regulatory information and legal notices

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