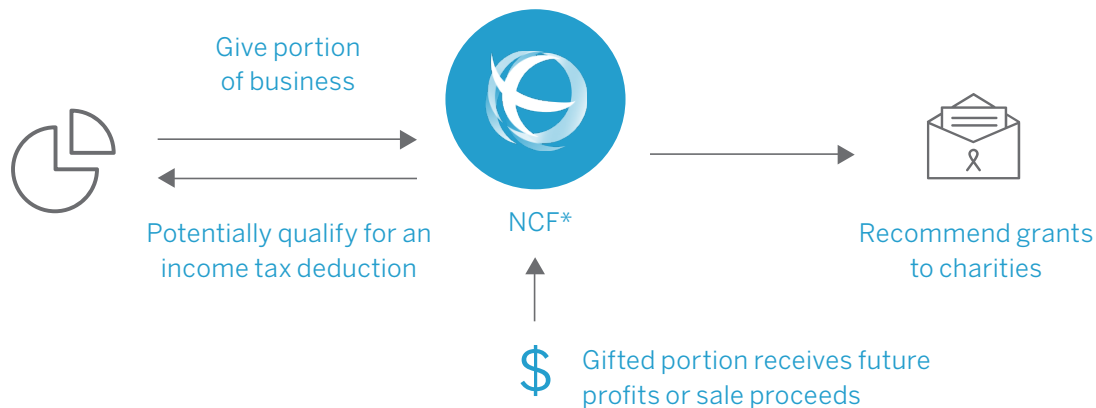


Maximize your sale to multiply your giving

Helping entrepreneurs maximize charitable impact by giving before the sale

Only a select group of entrepreneurs ever has the opportunity to sell their successful company for a sizeable gain. Many of these business owners have a heart to give charitably, but don't know about ministries, like the National Christian Foundation (NCF), that are adept at handling a liquidity event. Our team of charitable giving professionals at NCF can work with you and your professional advisors to donate an interest in your business before the sale. We at NCF have taken in and sold many business interests, and when we sell the gifted interest, capital gains may be reduced or eliminated, increasing the impact to your favorite charities.



THE BENEFITS OF GIVING BEFORE THE SALE

- Maximize your liquidity event by preserving the full fair market value of the gifted asset for charitable impact.
- Potentially avoid or reduce capital gains taxes on the gifted portion, moving more dollars to charity.
- Maximize your sale by leveraging the deductions reserved for non-cash assets (up to 30% of AGI).
- Potentially reduce current-year income taxes via a larger charitable deduction, increasing cash flow for more giving.

THE RESULTS OF GIVING BEFORE THE SALE

This table shows the impact of giving a 20% interest in a \$5M C corp (with a \$100,000 cost basis and paying a \$250,000 dividend) prior to the sale.†

	Family	Taxes	Charity
Sell, then give cash	\$3,035,000	\$1,247,000	\$718,000
Give stock, then sell	\$3,067,000	\$933,000	\$1,000,000
Difference	\$32,000	\$314,000	\$282,000

As a result of giving assets vs. cash, **\$282,000** more would go to charity while increasing net cash flow by **\$32,000** for more giving.

†Assumed tax rate of 20% federal plus 5% state and 3.8% NIIT, 15% marketability discount, \$200,000 of Qualified Business Income Deduction, and tax status of married filing jointly.

QUESTIONS FOR DISCUSSION AND CUSTOM ILLUSTRATION

What type of business entity do you have?
(LLC, C corp, LP, S corp, etc.)

What is the nature of this business/asset?

How long have you owned the business?

What would you estimate to be your tax basis?

What would you estimate to be the fair market value?

What amount (\$ or %) would you consider gifting?

Is there any debt associated with the business? If so, how old?

Have you already agreed to sell the business?

Do you pay Net Investment Income Tax (NIIT), also known as the Medicare surcharge?

A CLOSER LOOK AT THE TABLE ON PAGE 1

The table below duplicates the one on the first page of this document, along with various assumptions and explanations of the gift of business interest (C corp stock) to provide more context. NCF does not provide tax or legal advice. The tables shown are for illustration purposes only and include assumptions on tax rates, business types, and structure which may or may not apply to you, so there is no assurance that the savings depicted can or will be achieved. Consult with your attorney or financial/tax advisor to analyze your particular situation before proceeding.

Sell, then give cash

Family \$3,035,000	Taxes \$1,247,000	Charity \$718,000
Your family gets \$3,035,000. This is after paying \$1,411,000 in tax on the gain (\$4,900,000 x 28.8%), making a \$718,000 cash gift to charity (\$3,589,000 x 20%), claiming a charitable deduction of \$654,800 (\$718,000 - \$25,800 charitable floor - \$37,400 itemizer reduction), and potentially realizing \$163,700 in tax savings from the gift (\$654,800 x 25%).	You sell the business first, triggering a long-term capital gains tax and NIIT of \$1,411,000 - 28.8% (20% federal + 5% state + 3.8% NIIT) x \$4.9M (\$5M sale price - \$100k cost basis) = \$1,411,000. This may be reduced by the \$654,800 deduction, which could save \$163,700 in taxes, leaving an estimated net tax liability of \$1,247,000.	Only \$718,000 goes to giving, since you're giving from the after-tax proceeds (\$5M FMV - \$1,411,000 tax on gain = \$3,589,000 x 20% = \$718,000 cash gift).

Give stock, then sell

Family \$3,067,000	Taxes \$933,000	Charity \$1,000,000
Giving \$1M in stock, your family may save \$196,000 from the larger charitable deduction. This is even if a 15% valuation discount reduces the \$1M gift to \$850,000 for the deduction, which is then reduced by \$20,900 charitable floor and a \$44,800 itemizer reduction, leaving a deduction of \$784,000. With a capital gains tax rate of 25%, that's a tax savings of \$196,000. The \$4M in sales proceeds, reduced by net taxes of \$933,000, leaves \$3,067,000 for family.	Since we (a public charity) own the asset at the time of sale, no capital gains tax or NIIT are owed on the \$1M gifted portion. So \$5M asset - \$1M gift - \$80k remaining cost basis = personal gain of \$3,920,000 x 28.8% (20% federal + 5% state + 3.8% NIIT) = \$1,129,000 in taxes due, which may be offset by the potential \$196,000 in tax savings from the charitable deduction, leaving a net tax liability of \$933,000.	The full \$1M goes to giving, since we pay no capital gains tax or NIIT on the gifted portion as a public charity.

As a result of giving assets vs giving cash, **\$282,000** more would go to your favorite charities.