



BUSINESS OWNERS

AN EBOOK ON THE POWER OF GIVING

BIBLICAL STEWARDSHIP

LEAVING A LEGACY

THE BIBLE OFFERS THREE IMPORTANT LESSONS FOR US AS WE CONSIDER OUR GIVING:

1. **Never forget God owns it all.** The earth and all it contains are the Lord's. Everything we have is a gift from above. Our God-ordained role is to faithfully steward the resources that God entrusts to us. To be a good and faithful steward requires that we direct our time, talents, and treasures and apply them in ways that serve God's purposes and give him glory. (Psalm 24:1-2)
2. **Model faithful stewardship.** The Bible tells us that a good man leaves an inheritance to his children's children. Generational wealth is biblical. Modeling proper stewardship and preparing our children to be good stewards is part of our Christian calling. (Proverbs 13:22)
3. **Share resources.** God commands us to be openhanded toward our brothers and toward the poor and needy. He asks us to give generously and without a grudging heart. God specifically directs you to use your resources to provide for his work and his workers. (Deuteronomy 15:10-11)

Today you can honor God through giving to church, charities and ministries that are committed to carrying out God's work.

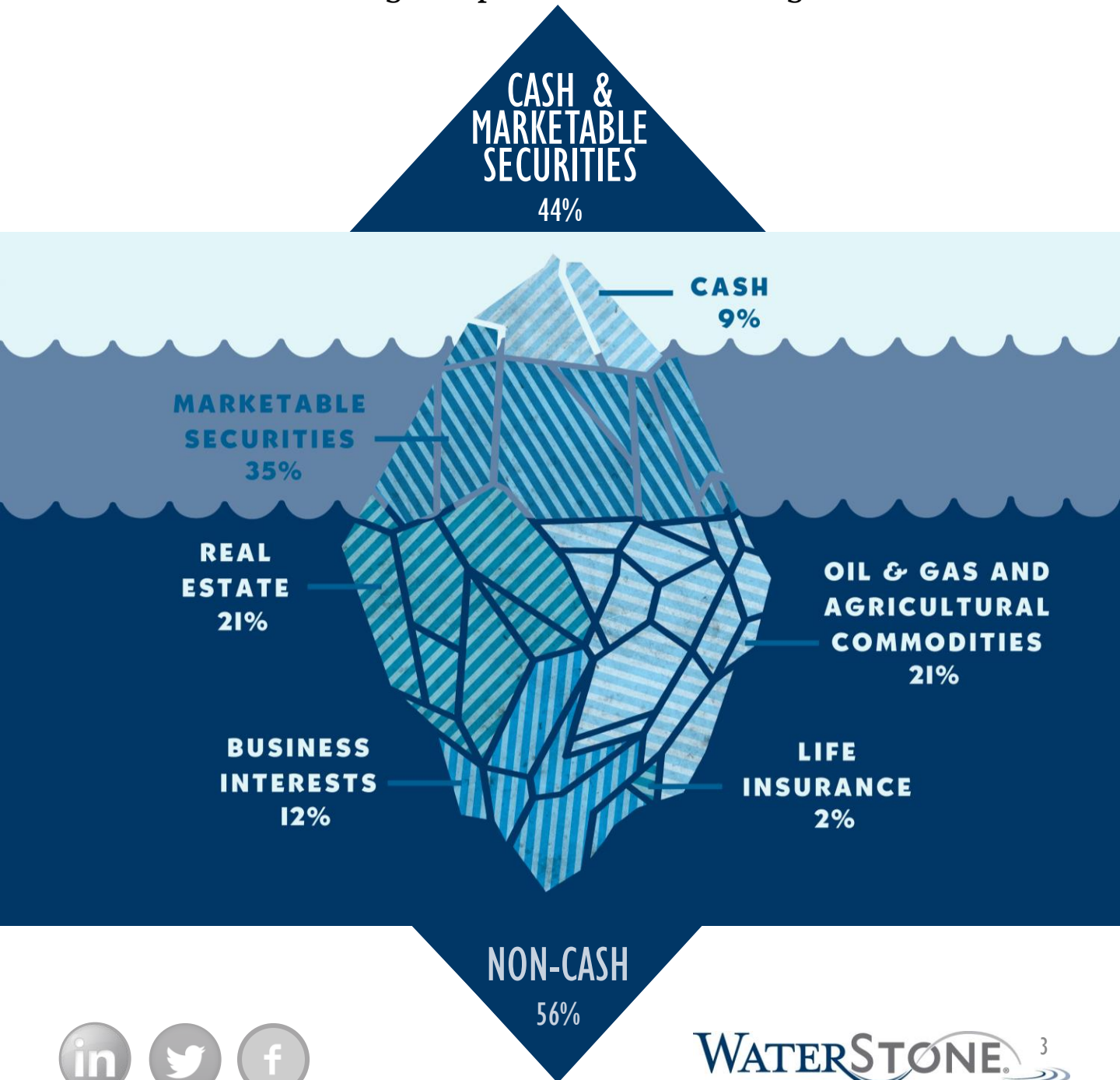
THE BIBLE LAYS OUT FOR US A MODEL OF GIVING.
CREATE A LEGACY OF FAITHFUL STEWARDSHIP BY GENEROUSLY GIFTING
YOUR RESOURCES TO SUPPORT GOD'S WORK.



THE UNSEEN OPPORTUNITY

The bulk of your wealth is likely comprised of complex assets.

Through WaterStone, families can multiply their giving impact by transforming complex assets into living water.



KINGDOM FIRST, UNCLE SAM SECOND

Let's examine the economic benefits of intentional giving. Let's assume you have a \$1 million real estate asset with a cost basis of zero. If you sell the property first you will have a significant tax bill. First you'll pay capital gains tax on the appreciated value of the property. The capital gains rate is up to 23.8%. So instead of receiving \$1 million from the sale, you now receive only \$762,000 of the proceeds. The good news is you receive a tax deduction. The savings in your income tax bill could be as much as \$339,852. So here's the financial result by selling the real estate then gifting it to your preferred charities.

SELL FIRST	
\$1,000,000	Asset Sold (\$0 cost basis)
\$1,000,000	Proceeds of Sale
\$238,000	Owed in Capital Gains (23.8%)
\$762,000	Gift Net Proceeds
\$762,000	Tax Deduction
\$339,852	Income Tax Savings (39.6% federal & 5% state)

GIVE FIRST	
\$1,000,000	Asset Gifted (\$0 cost basis)
\$1,000,000	Post Gift Proceeds of Sale
\$0	Owed in Capital Gains (23.8%)
\$1,000,000	Gift Net Proceeds
\$1,000,000	Tax Deduction
\$446,000	Income Tax Savings (39.6% federal & 5% state)

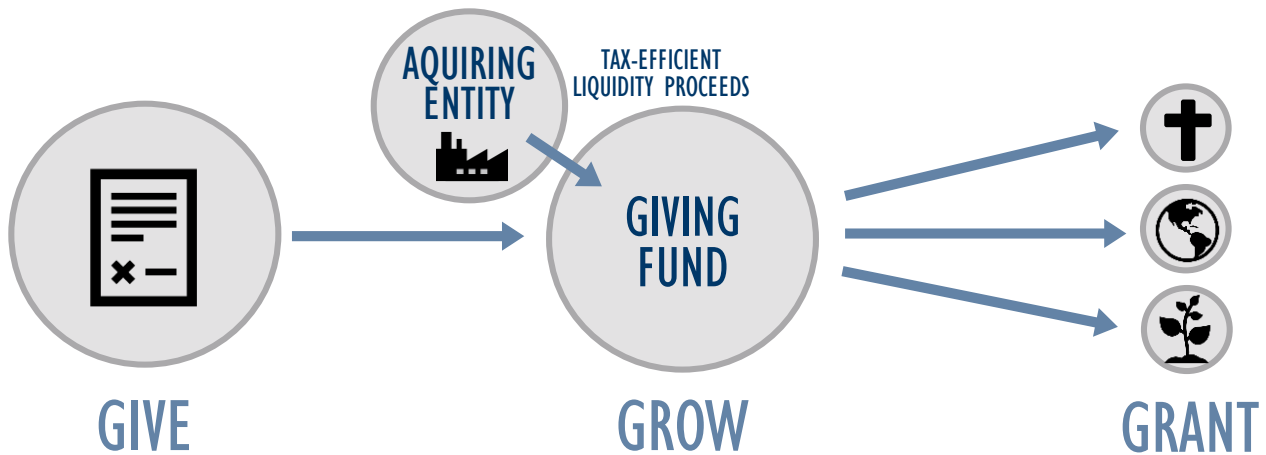
\$339,852	COMBINED TAX BENEFIT
\$762,000	CHARITY SHARE
\$238,000	IRS SHARE

\$684,000	COMBINED TAX BENEFIT
\$1,000,000	CHARITY SHARE
\$0	IRS SHARE

While that seems to be a pretty good deal, through intentional giving you can generate a better economic impact, both for the Kingdom and for yourself. With an intentional giving approach, you give the real estate asset first, then sell it. The same \$1 million asset is now gifted to a charitable foundation. Since capital gains taxes are optional, you have opted to pay zero. Good choice. Your preferred charities now receive \$1 million. You receive a \$1 million tax deduction. No capital gains, a greatly enhanced tax income tax deduction: Together that means you save more in taxes and your preferred charities get more money. Uncle Sam gets a lot less. In fact, the IRS receives nothing. Intentional giving is a win-win-win!



PRE-LIQUIDITY GIFTING



STEPS

1. Giver donates business interest to Giving Fund prior to binding agreement and receives fair market value deduction based on appraisal
2. Giver and WaterStone sell respective interests to the acquiring entity
3. Capital gains taxes avoided on WaterStone portion; payable on retained portion
4. Giver contributes more to preferred charities through Giving Fund

ADVANTAGES

OPTIMIZES GIVING FROM APPRECIATED BUSINESS INTEREST IN ANTICIPATION OF A LIQUIDITY EVENT

ELIMINATE

or minimize capital gains tax when giving appreciated business interest

MAXIMIZE

charitable effect with a full fair market value income tax deduction in the year given

Give more efficiently by giving

PRIOR

to a pre-arranged sale

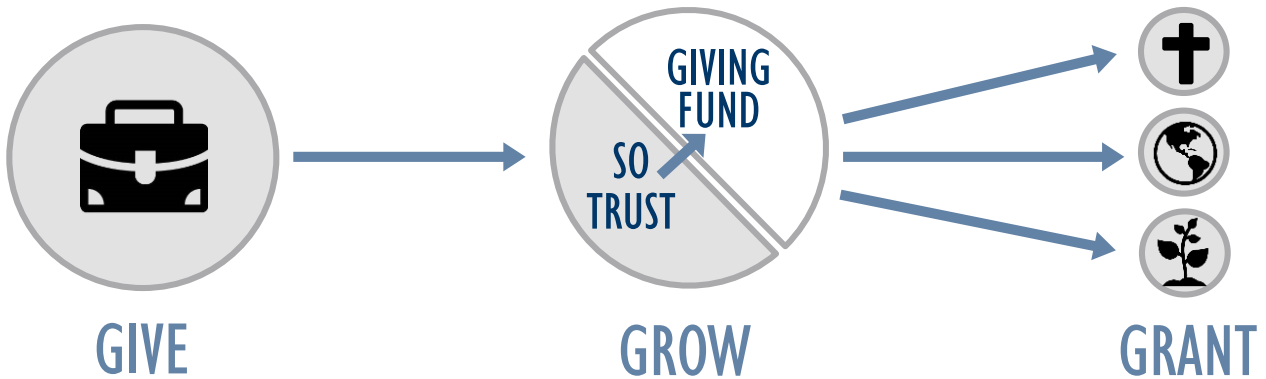
Leverages the

EXPERTISE

of WaterStone



GIFTS OF S CORP



STEPS

1. Choose the S Corp stock asset to gift to the Supporting Organization Trust
2. Receive an immediate tax deduction
3. Supporting Organization Trust gives S Corp shares to your Giving Fund. Trust receives up to a 50% AGI (Adjusted Gross Income) deduction.
4. Recommend grants to your preferred charities through your Giving Fund

ADVANTAGES

UNLOCK YOUR GIVING POTENTIAL THROUGH ILLIQUID BUSINESS ASSETS AND BENEFIT FROM FAVORED TAX TREATMENT OF ASSETS IN A SUPPORTING ORGANIZATION TRUST.

IMMEDIATE
tax deduction

Taxes on
S Corp gifts are
MINIMIZED
by up to 50%

FAVORED
tax treatment
of assets when
held in a
Supporting
Organization
Trust

Ultimate
FLEXIBILITY
for giving
through a
Giving Fund



PRE-LIQUIDITY

CASE STUDY

- Closely-held Subchapter S Corporation valued at \$50,000,000
- A shareholder donates a 10% interest, valued at \$5,000,000
- Cost basis in the stock is \$1,000,000
- Later the gifted S Corp stock is sold for \$5 million

	Held Personally	Public Charity	Perpetual Charitable Trust / SO Trust
Gross Amount of Share Value	\$5,000,000	\$5,000,000	\$5,000,000
Taxable Gain	\$4,000,000	\$4,000,000	\$4,000,000
Tax Due	\$1,152,000	\$1,560,000	\$476,000
Tax	Cap gains tax 23.8% State tax 5%	Unrelated bus. income tax (UBIT) 34% State tax 5%	Cap gains tax with charitable deductions 11.9%
Balance	\$ 3,848,000	\$3,440,000	\$4,524,000

\$5M
Gift

\$476K
Uncle Sam

\$676K
Tax Savings



5 STEPS TO GIVE BUSINESS INTERESTS

When you're considering a gift of business interests, WaterStone asks five questions to begin the discussion:

1. What type of business do you own?

2. What type of ownership interest and what percentage of ownership do you have?

3. What is the estimated value and cost basis of your ownership interest?

4. What is the economic goal (minimize taxes, business succession, charitable impact, etc.)?

5. What is the charitable desire?

CALL OUR OFFICE FOR A CONSULTATION ON
GIFTS OF BUSINESS INTERESTS



SINCE
1980

\$950M
CONTRIBUTIONS

\$600M
GRANTS

MORE THAN \$500M IN COMPLEX ASSET CONTRIBUTIONS

NEARLY **\$500M** IN ASSETS UNDER ADVISEMENT
UP 42% OVER LAST YEAR

**BEHIND EVERY
NUMBER IS A STORY**

OVER 5,000 CHARITIES SUPPORTED

AVERAGING **\$1M** IN GRANTS WEEKLY

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