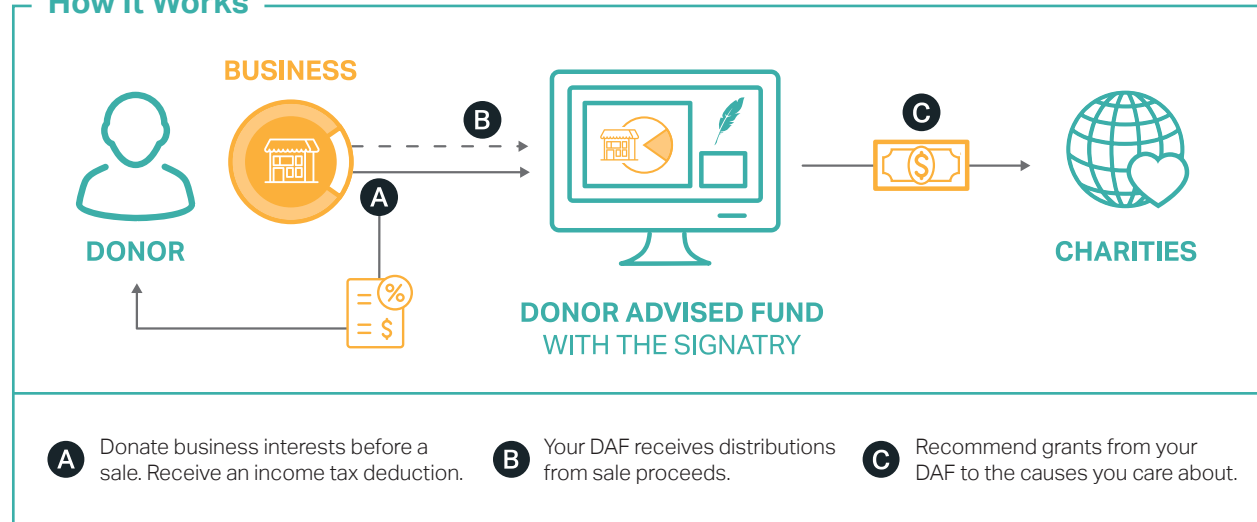


# Giving Before Your Business Sale

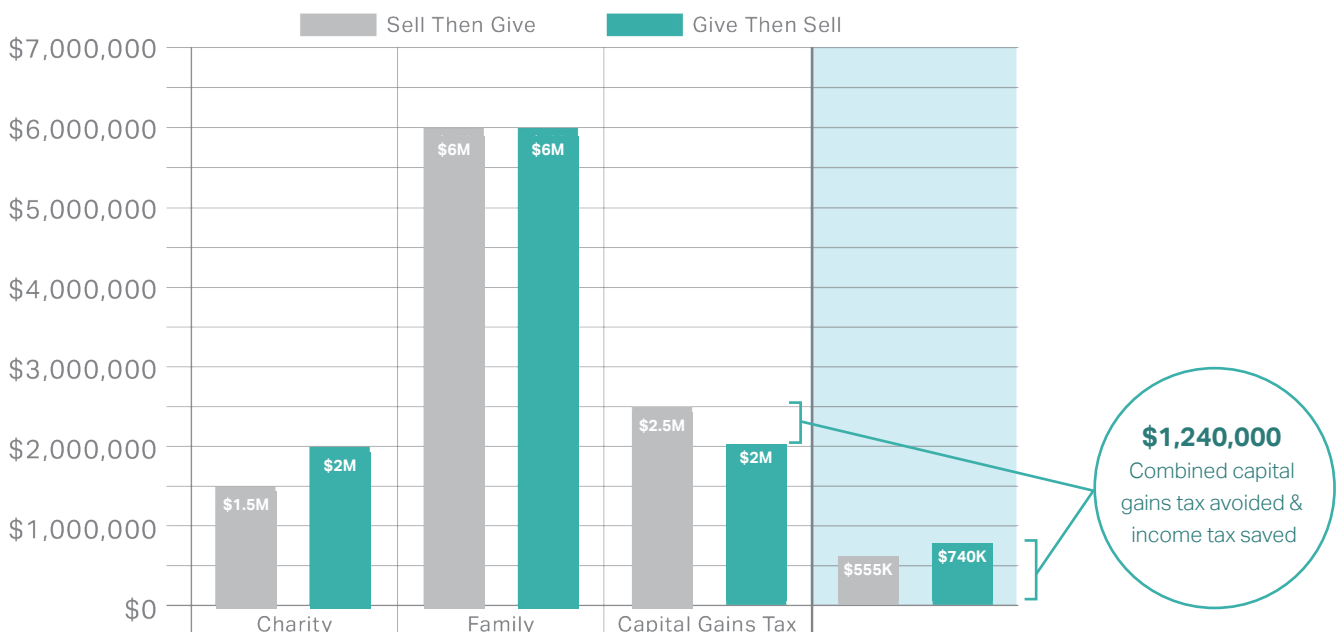
Selling a business often is associated with large amounts of taxes to be paid. However, there is a proven solution that allows this liquidity event also to become a Kingdom changing event. By giving business interest before the sale to a donor advised fund (DAF), you can receive a tax deduction and minimize capital gains tax. This charitable strategy is a powerful opportunity to grow generosity and Kingdom impact.

## How It Works



## Practically Speaking

Here is what you could potentially save in taxes and increase giving by compared to selling the business and then giving. This example shows the impact if a family sold their business for \$10 million, and made a 20% gift either before or after the sale.



This scenario assumes fair market value of **\$10,000,000**, ordinary income tax rate of **37%**, capital gains tax rate of **25%**, and basis of **\$0**.

## Benefits

- +** You will receive an income tax reduction for the fair market value of the shares/units donated, as determined by a qualified appraisal.
- +** Capital gains tax could be significantly reduced for the shares held by the charity.
- +** The donated shares/units are no longer subject to estate tax.
- +** Donate as little as 1% or as much as 100% of your company.
- +** Recommend grants to multiple charities long-term by donating shares to a DAF prior to the sale of your company.
- +** Once the gift is in a DAF, you can recommend grants as needs arise. Plus, the funds within the DAF may grow through investments to provide additional granting.

## By the Numbers

Below is a breakdown of the numbers from page one.

	Sell Before Giving	Give Before Selling
<b>Capital Gains Tax</b>	<p>Selling the business will mean a capital gains tax of 25% (20% Federal + 5% State)</p> $  \begin{array}{r}  \$10,000,000 \text{ (sale price)} \\  - \quad \quad \quad \$0 \text{ (basis)} \\  \hline  \$10,000,000 \text{ (gain)} \\  \times \quad \quad \quad 25\% \\  \hline  \mathbf{\$2,500,000} \text{ (capital gains tax)}  \end{array}  $	<p>Since 20% of the company was donated before the sale, there is no capital gains tax on the donated portion. The gift is subtracted from both the fair market value and the cost basis.</p> $  \begin{array}{r}  \$8,000,000 \text{ (\$10M - 20\%)} \\  - \quad \quad \quad \$0 \text{ (basis)} \\  \hline  \$8,000,000 \text{ (gain)} \\  \times \quad \quad \quad 25\% \\  \hline  \mathbf{\$2,000,000} \text{ (capital gains tax)}  \end{array}  $
<b>Charity</b>	<p>A 20% gift after the sale:</p> $  \begin{array}{r}  \$10,000,000 \text{ (sale price)} \\  - \mathbf{\$2,500,000} \text{ (capital gains tax)} \\  \hline  \$7,500,000 \text{ (take-home amount)} \\  \times \quad \quad \quad 20\% \\  \hline  \mathbf{\$1,500,000} \text{ (charitable gift)}  \end{array}  $	<p>A 20% gift before the sale:</p> $  \begin{array}{r}  \$10,000,000 \text{ (fair market value)} \\  \times \quad \quad \quad 20\% \\  \hline  \mathbf{\$2,000,000} \text{ (charitable gift)}  \end{array}  $
<b>Income Tax Saved</b>	<p>\$1,500,000 will count as a tax-deductible gift. Assuming an income tax rate of 37% (federal + state):</p> $  \begin{array}{r}  \$1,500,000 \text{ (tax deduction)} \\  \times \quad \quad \quad 37\% \text{ (income tax bracket)} \\  \hline  \mathbf{\$555,000} \text{ (income tax saved)}  \end{array}  $	<p>\$2 million as a fair market value deductible gift:</p> $  \begin{array}{r}  \$2,000,000 \text{ (tax deduction)} \\  \times \quad \quad \quad 37\% \text{ (income tax bracket)} \\  \hline  \mathbf{\$740,000} \text{ (income tax saved)}  \end{array}  $

## Maximize generosity

Use our calculator to see how giving before you sell your asset can increase the impact of your gift. Generate your impact at [thesignatry.com/generosity-calculator](https://thesignatry.com/generosity-calculator).

Contact The Signatry at 913-310-0279 or [info@thesignatry.com](mailto:info@thesignatry.com) to find out more about giving before your business sale.

Thanks to the generosity of other complex asset donors who have gone before you, we provide our expertise for these charitable giving solutions at no cost. We invite donors to join this legacy by donating a percentage of their asset gift to The Signatry, so we can continue this mission to equip donors to solve problems in the world and build enduring families.

The Signatry is a 501(c)(3) organization and a donor advised fund sponsor. We facilitate the accounts through which people give, and we work to train, inspire, and equip families, ministries, and advisors for radical biblical generosity.

*Disclaimer: The Signatry does not provide legal, tax, financial, or other professional advice. You should consult professional advisors concerning the legal, tax, or financial consequences of your charitable activities.*

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