Highly-appreciated stock: If your client missed the ideal window, it's still not too late to support charity

During a routine check-in meeting, your client casually mentions that the client's employer, a local company, was just acquired. The client and dozens of fellow employee shareholders are now flush with cash. "I'd like to use some of the money to give to charity," the client tells you. "Let's talk about a family fund at the community foundation."

You try not to flinch as you mentally calculate the capital gains taxes your client could have avoided if the client had given some of those shares to a fund at the community foundation years ago when the company was clearly growing fast, making it a natural target for acquisition or IPO, but well before an exit was in the works.

All is not lost. You can still help the client establish a donor-advised, field-of-interest, unrestricted, or other type of fund at the community foundation to fulfill the client's charitable intentions. The client's gifts to the fund qualify for a charitable tax deduction in the current tax year, helping to offset the income from the sale of the shares.

Still, this situation is all too common and a good reason to regularly remind clients about their options for making gifts to charity and the tax benefits of each.

Giving cash to a public charity, which is what your client in this situation will be doing (!), is always a viable option. The general rule is that your client can deduct cash gifts to up to 60% of their adjusted gross income (AGI) in any given year. While this may not completely offset large gains from the sale of the stock, it will help to reduce the client's taxable income.

Giving appreciated stock, which is what you wish your client had done, is a very tax-effective method of supporting public charities. Clients who donate stock outright avoid all capital gains tax that would be levied on a sale of the stock if it were sold prior to making the donation. Even with the 30 percent of AGI limitation imposed on gifts of highly-appreciated, long-term capital gains property to a public charity, your client likely will still come out ahead because the client's AGI is presumably a lot lower than it will be in the year of a future stock sale.