

# Illiquid Assets

What do a racehorse, rural property in Alabama and a beautiful surrealist painting have in common? They have all been given to the Community Foundation for Greater Atlanta for charitable purposes. From LLCs to royalties – we have seen it all.



Examples of illiquid assets include closely held and S-corporation stock, LLC and partnership interests, pre-IPO shares, restricted shares, deeds and mortgages, mineral rights such as oil and gas partnerships, royalties, existing trusts, hedge funds, real estate and other privately-held assets.

Although most donors opt to make charitable gifts using cash or liquid assets such as publicly traded stock, gifts of illiquid assets are a creative way to make large contributions with amazing benefits for nonprofits and donors.

Because donations of illiquid assets are considered complex assets, they take careful planning to execute, but luckily the Community Foundation is well versed in turning illiquid assets into charitable dollars. Put our expertise to work for you!

Illiquid assets can be used to make a charitable impact through a variety of gifting vehicles, so gifts can be structured in order to provide the maximum benefits to nonprofits and to donors. For example, illiquid assets can be contributed through a donor-advised fund, charitable lead trust or charitable remainder trust.

## General benefits of gifts of illiquid assets include:

- ◆ In most cases, a charitable contribution of an appreciated asset allows a donor to deduct the value of the asset without having to report the appreciation as income.
- ◆ The current fair market value of an illiquid asset, on which charitable deductions are based, is often considerably higher than the cost basis, or original cost, of the asset.
- ◆ Typically, donors can enjoy a charitable deduction equal to the current full fair market value of the gift, as determined by a qualified appraisal.
- ◆ Donors can usually avoid capital gains taxes that would incur if they were to sell illiquid assets and then make a charitable gift.
- ◆ Create a donor-advised fund in as little as one transaction to provide immediate and ongoing support to multiple charities or causes.



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The most important factor in effectively giving illiquid assets is getting a qualified appraisal of the fair market value of the asset as of the date it is donated. For donors who are not sure how to best execute this, the Community Foundation can help guide

donors through the appraisal process before making their gift. Although gifts of illiquid assets seem intimidating in comparison to cash gifts, they can provide incredible benefits and are a great way to fulfill donors' philanthropic goals.

At the Community Foundation for Greater Atlanta, we are often asked about the most unusual assets we have received.



We have helped our donors with:

- ◆ *Charging Bull*, the bull sculpture on Wall Street
- ◆ A champion racehorse
- ◆ A seat on the mercantile exchange
- ◆ A diverse array of art, from paintings to sculptures
- ◆ Shopping centers
- ◆ Rental properties across the country

## About us

Since 1951, the Community Foundation for Greater Atlanta has been a trusted philanthropic resource for our 23-county metro Atlanta region. We do this through our mission of providing quality services to donors and innovative leadership on community issues.

## Interested in making a gift of illiquid assets?

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