



## STOP WRITING CHECKS!

A fascinating fact is that over 80 percent of all gifts received by non-profit ministries are cash, yet only 7 percent of affluent believers' net worth consists of cash. That should be no surprise to anyone. Most wealthy people are wealthy *not because* they invested in money market accounts and CDs; rather, they are wealthy because they invested in real estate, businesses, and other non-liquid assets. Look at your own giving over this past year. How much of what you gave to the Kingdom was in cash and how much of it was in the form of non-cash gifts?

The fact of the matter is that of all of the things you have to give, cash offers the least “bang for the giving buck.” Let me explain why. Let's assume you want to give a ministry \$100,000 this year. You have the \$100,000 in the bank and you intend to write a check. If you give \$100,000 in cash, you will save about \$35,000 in taxes so your gift only costs you \$65,000.

What if instead of giving cash, you selected some of your best-performing investment assets equaling \$100,000? Let's assume the stock's basis is only \$10,000. You now give the stock instead of the cash. You still save \$35,000 in income taxes, but you also “wash out” \$18,000 in unrealized capital gains taxes as well. This brings the net cost of the gift down to only \$47,000.

When I was in personal practice several years ago, I shared this idea with a client. He objected to my proposal by telling me that he liked a particular stock, he expected it to continue to grow in the future, and he didn't want to get rid of it. I smiled and explained that if he liked the stock that much, he could turn around and buy it back with the \$100,000 cash that he was now *not going to be giving away*. In fact, he could buy the gifted stock right back from the ministry. Now his new basis in his favorite stock is \$100,000 (100 percent) instead of only \$10,000 (10 percent), and those unrealized capital gains taxes will never be realized. Once he understood this concept, his face expressed a look of “Duh!” This very astute businessman had for years simply missed the added leverage of *gifting assets instead of cash* to the ministries he supported.

I recently heard about a wealthy gentleman who walked into the office of the president of a major ministry to give him a check for \$1 million. The president had known this supporter for years and said, “Jim, I am not going to take your check. There is a better way for you to give us \$1 million. Let's go talk to your financial advisors.” This ministry president is one of a very few that understand the leverage of making asset gifts to ministry organizations instead of cash gifts.

There are a number of creative ways to give without writing a check. Let me give you a few ideas besides giving appreciated stock:

1. You can set up a trust that pays all its income to Kingdom ministries for a period of years, then terminates at a specific time and passes the assets to your heirs tax free. All the trust giving bypasses you entirely, allowing you to explode your total “tax-deductible” giving to well over 60 percent of your AGI.
2. One Christian family gave a huge portion of their rental real estate holdings to their foundation (public, not private). Now 100 percent of this rental income is paid directly to their family foundation tax free and their foundation writes all their giving checks to ministries. Additionally, this family received a huge

income tax deduction for the initial gift that they were able to use over the next six tax years. Also, if and when that real estate sells, there will be no capital gains taxes since it is now owned by a non-profit entity.

3. There are ways to structure a buy/sell agreement that includes gifts of company stock to a ministry that is immediately bought right back by the new owner. The ministry has cash and the former owner of the company owes no capital gains taxes on the sale of the company stock.
4. The Charitable Employee Stock Ownership Plan allows a family to pull millions of dollars out of their corporation tax free to fund their buyout, with those millions of dollars ultimately finding their way into the Kingdom.
5. One couple gifted a portion of the sale of a piece of highly-appreciated development real estate to some ministries they supported. Instead of the traditional idea of selling the real estate and then making a gift from the sale proceeds, they set up a plan where the real estate was to be partially gifted to the family's foundation and partially retained. They received a substantial charitable income tax deduction and avoided all the capital gains taxes on the gifted portion of the land. The property sold and the real estate was turned into cash, but a much larger amount of money ended up going to ministry because the family didn't have to pay any capital gains taxes on the amount they gifted.

If you possess closely held company stock, Limited Liability Company (LLCs) units, Family Limited Partnership units (FLPs), excess manufacturing inventory, real estate holdings, personal residences, personal property, or publicly traded securities, these ought to be the first place you look for funding for both your immediate and your deferred Kingdom giving. Perhaps now you see why it is in your, *and the Kingdom's*, best interest to never write another personal check to any ministry ever again.

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Jay Link, Director of Stewardship Planning at Taylor University, spent 35 years counseling Christian families to build customized Master Stewardship Plans. He is an author, a mentor to hundreds of financial advisors and attorneys, and started his career as a pastor. His passion is helping Christian families use all the Lord has entrusted to them for Kingdom-building purposes.