A hub of thriving biotech, pharmaceutical and technology companies, Boston is home to executives and entrepreneurs who have watched the value of their firms soar during the past few years. That could be very good for charity, according to Trevor D. Byrne, Executive Financial Services Director at the Whalen Group at Morgan Stanley Wealth Management in Boston.

“There will be a lot of opportunity for founders and early employees of pre-IPO firms to do some fantastic charitable planning that could have quite an impact,” he said.

Fourteen Massachusetts-based biotech and pharmaceutical companies were among 61 that went public in the 15 months ending March 31 with deals averaging $708 million, the Boston Business Journal noted, citing a report by EP Vantage. In June, a Cambridge-based biotech firm raised $96 million in an IPO. While the technology sector didn’t see any IPOs last year, the state maintained its No. 4 ranking for the number of tech mergers and acquisitions, according to the Journal, behind California, New York and Texas.

“We have seen some companies’ values soar after the IPO, which can greatly amplify the effect of a charitable donation,” said Mr. Byrne, a Certified Financial Planner and member of the Boston Foundation’s Professional Advisor Network. Charitable gifts can be made directly to qualified nonprofits or they can be used to set up a grant-making Donor Advised Fund at a public charity such as the Boston Foundation.

People facing significant capital gains taxes on the sale of highly appreciated shares after an IPO “may realize a much more favorable income tax over...

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result and charitable impact by donating a portion of those shares either during or after the lock-up period [when employees may not sell their shares],” Mr. Byrne points out. Unlike a company’s officers and employees, charities can sell stock without incurring capital gains taxes. However, there are some things wealth advisors need to keep in mind if they have clients in this position, Mr. Byrne cautions.

- **Recognize what you don’t know:** “These can be complex transactions, so engaging the right professionals is imperative. This is an area where I think the Boston Foundation has done a fantastic job; being a reliable resource to help navigate complex gifts.”

- The tax benefits are much larger for gifts of stock held longer than 12 months: The amount an individual can claim as a charitable gift for federal income tax purposes is the security’s fair market value on the date of the gift [calculated by averaging the highest and lowest price on that day]. For stocks held less than a year, the taxpayer may only claim the cost basis if it is less than the fair market value. Securities that have lost value should not be donated.

- **Insiders or restricted persons:** There are complex rules for insiders or restricted persons who are covered by SEC Rule 144. “Although Rule 144 limits how much stock can be sold, it does not limit how much stock can be donated.”

- **Gifting stock frees up cash for other investments:** Giving low-basis stock to charity instead of cash means that donors can use the cash to invest in other securities to diversify their portfolio.

There are a number of giving vehicles philanthropically minded individuals can use to put highly appreciated stocks to work for the greater good. These include contributing the stock to a charitable remainder trust or transferring it into a Donor Advised Fund (DAF) at a public charity like the Boston Foundation.

“The success of the local biotech, tech and pharmaceutical sectors demonstrates the passion of so many entrepreneurs for discovery, innovation and progress,” said Laura Godine, Senior Director of Professional Advisor Relations at the Boston Foundation. “While many of them are already philanthropically inclined, we see a great opportunity for advisors to help clients recognize that their low-basis interests now represent an incredibly valuable philanthropic tool.”

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