



DAF Insights for Advisors

Expertise and tools to help advisors deepen the philanthropic conversation

Donating Pre-IPO Shares to a Donor-Advised Fund

By Jeff Gerold, Senior Director of Development

If your client's company is eyeing an initial public offering (IPO) sometime in the coming year, this is an ideal time to [start a conversation](#) about philanthropic goals and how your client can use pre-IPO shares to support favorite causes. Assets that have appreciated in value can be among the most advantageous to give to charity—particularly, shares with a very low cost basis. Planning early is key, however, since donations of privately held stock can take longer to transfer.

While the IPO market has been relatively quiet this year—due in part to the U.S. government shutdown and to political uncertainties, like the trade war with China—it's starting to make some noise again. This spring, a donor at a tech company gave pre-IPO shares valued at \$5 million to his National Philanthropic Trust donor-advised fund (DAF). NPT then participated in the company's IPO, which exceeded expectations, making even more charitable capital available for the donor's grantmaking.

Several advantages to donating pre-IPO shares include:

- A tax deduction of up to 30% of AGI for shares held for one year or longer (with a five-year carry forward) based on the asset's fair market value.
- Elimination of capital gains taxes on any appreciation of the asset.
- No need to file forms with the SEC, as might be required for gifts of shares after the IPO.
- The ability to support multiple charities over time while making just one donation to the DAF.

Giving shares after an IPO offers the advantage of price visibility, but trading could be volatile, and lock-up agreements, insider trading policies and SEC restrictions may complicate or restrict the contribution of the shares post-IPO. Share prices also may drop after a lock-up—generally a period of 90 to 180 days after an IPO when company executives and employees are restricted from selling their shares. For instance, Facebook shares plunged by about 50% from the IPO price on the day its lock-up ended. If your client donates shares before the IPO and NPT is able to participate in the IPO, you remove the price risk that comes with waiting out a lock-up period.

The donor who gave pre-IPO shares of his tech company to NPT in the spring participated in the full upside of the event, and now has nearly \$10 million in his DAF to grant to his favorite causes and educational institutions.

If you are interested in learning more about donating pre-IPO shares, NPT can help. Please [contact us](#) at (888) 878-7900.

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