

FEB 11, 2018 @ 09:00 AM 1,474

This Valentine's Day, You Can Gift Like Kanye



Mark Avallone, CONTRIBUTOR

[FULL BIO](#) ✓

Opinions expressed by Forbes Contributors are their own.

Over the Christmas holiday, Kanye West made headlines by gifting his wife, Kim Kardashian, hundreds of thousands of dollars' worth of stock in major companies including Netflix, Apple, Adidas, Amazon, and Disney. I am not sure that Kim needed the extra money, but it reminds us that gifting stock is another way to show a loved one that we care about them. You don't have to be a multi-millionaire or famous rapper to gift stock, but there are a few things to keep in mind.



Shutterstock

First, you can gift shares of stock you already own, or you can buy shares with the specific intent to gift them. Keep in mind that if you gift shares that you previously owned, you will also be gifting your “cost basis”—if your shares have appreciated above the cost you incurred to buy them (your cost basis), you are also gifting a future capital-gain tax liability.

Second, you can gift your shares of stock electronically or gift a paper stock certificate. Gifting electronic shares won't have the same romance that Kanye offered—he gifted headphones and socks along with his Apple and Adidas stock certificates—but the electronic shares can be easier to obtain, and they have the same economic effect.

Alternatively, if you want to be like Kanye and gift actual stock certificates, you may request one directly from the issuing corporation or ask your broker to get the stock certificate on your behalf. Details appearing on your stock certificate will include your name, the company's name, and the number of shares you own. There should also be a seal of authenticity, a signature from an authorized signer authenticating the certificate, and either a [CUSIP](#) or CINS number. To gift these shares, requirements vary, but one broker-dealer told me that you will need to execute a Stock Power and complete a Letter of Authorization outlining your clear intention to gift the specific shares. Your request may also need to be accompanied by a Medallion Signature Guarantee.

In recent years, stock certificates are seen more as collectables and souvenirs than actual records of ownership. And in some cases, these paper shares are no longer issued. For larger, well-known companies, shares are typically held in "[street name](#)" by the Custodian. If they are Direct-Registration-System (DRS) eligible, then you can get paper shares from the Transfer Agent (transfer agents may vary by issuer). If the shares are not DRS eligible, the procedures vary and become more complex; in this case, the costs to get certificates could be up to \$500

or more. Once you hold stock certificates, be sure to store them securely; charges for lost certificates can be about 3% of the underlying stock value.

Gifting stock has long been a tool of the wealthy. For generations, it has been common for wealthy, older family members to gift stock and other assets to younger family members for a special event or holiday. These gifts can be made to a trust or directly to an individual. There are often many tax implications around gifting, so these transfers should be done in consultation with an estate attorney or tax expert. For example, grandparents may want to gift to a grandchild, or great-grandchild, stock that has been held for decades and has a very low cost basis. This may not be optimal from a tax standpoint, because when you pass away with appreciated assets, those assets get a step-up in basis. A step-up in basis means that when someone dies with an asset that has even a large capital gain, there is no federal income tax due. This is why it may not be best to gift this type of asset to a very young person who will likely incur a tax bill when they sell the shares. In this case, gifting cash or recently purchased stock shares would be a more tax-savvy gift. But even when your gift comes with a tax liability, it is still a gift, beneficiaries still receive a net benefit, and I have never seen a stock gift returned.

The beneficiary of the stock shares does not need to sign any paperwork, so you can make your gift a Valentine's Day surprise, and you can figure out the most romantic way to let the recipient know that you have just increased their net worth. Valentine's Day is a great time to show that we care, and gifting assets may be a novel approach to do that—even if you aren't a rap star.