

* [Da Demo Club Accounting](https://www.bivio.com/demo_club/accounting/accounts)
* [Justin is Reimbursed For a Club Expense With Units](https://www.bivio.com/demo_club/file/Public/Reimbursing_A_Member_With_Units.html)
* [Da Demo Members](https://www.bivio.com/demo_club/file/Public/members.html)
* [Introduction](https://www.bivio.com/demo_club)

**Transferring Stock to Pay A Withdrawal**

[**https://www.bivio.com/demo\_club/file/Public/Transferring\_Stock\_To\_Pay\_A\_Withdrawal.html**](https://www.bivio.com/demo_club/file/Public/Transferring_Stock_To_Pay_A_Withdrawal.html)

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| Annie Carlson[Annie Carlson](https://www.bivio.com/demo_club/file/Public/members.html#AnnieCarlson) recently had to withdraw from Da Demo. In order to process the withdrawal in a way that provided the greatest tax advantages both for Annie and for the club, Da Demo funded her withdrawal with shares of appreciated\* stock. This is the process they followed. |
| **Partnership Agreement and Timing of Withdrawal Payout**

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| Withdrawal Calendar | Their first step was to make sure they followed the guidelines laid out in their partnership agreement for paying a full withdrawal.Annie provided them with her notice of intent to withdraw on August 29. It was officially accepted at the next regular club meeting on September 4.At that meeting, the club discussed possible stocks to transfer to fund the withdrawal. They needed to give their treasurer guidelines to use to make the selection. Their partnership agreement specified that he would have to request the transfer from their broker within 2 days of Annie's withdrawal valuation date. This meant it would happen before their next meeting.  |

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| **Valuing The Withdrawal**Their partnership agreement specified that the withdrawal valuation date would be 2 days prior to their next monthly meeting on October 9. The club had to wait until October 8 to make sure their stock prices had been updated and all their records were correct through October 7. On October 8, they determined the value they owed Annie based on her Valuation of October 7 was $2585.23.  |
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| **Selecting Stocks**The club had decided at their September meeting that they would transfer stocks to Annie that had appreciated in value and that showed the smallest potential future return based on their stock judgments. This allowed them to make some adjustments that would improve the projected return of their portfolio without being taxed this year on the gains they had in those stocks. It also meant Annie could defer being taxed on her gain in the club until she sold the shares.On October 7, their shares of Apple (AAPL) and Tim Hortons (THI) were the ones that fit their criteria. They had a projected 1 year return for THI of -26.17% and a projected 1 year return for AAPL of -7.89%. To fund the withdrawal they decided to transfer all of their THI shares and 10 shares of AAPL from a lot that had gone up the most in value since they purchased it. |
| **Portfolio Impact**Before the transfer, the projected 1 year return of their portfolio was 3.03%. |
| After the transfer, it was increased to 6.18%. |
| **Filling In Withdrawal Form**

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| Withdrawal button | To enter the withdrawal, Chris Anderson, the club treasurer, selected the "Withdraw" button on the Accounting>Members page. |

This opened the withdrawal form. You can his entries here:[Withdrawal Form Entries](https://www.bivio.com/demo_club/file/Public/Filled_In_Withdrawal_Form.html)Notice that he has used 10/9 as the withdrawal transaction date and 10/7 as both the withdrawal valuation date and the stock transfer valuation date. This means the number of shares transferred is established on the withdrawal valuation date. This is fairest to all and alleviates any questions related to changes in stock valuation. It is also the reason the club transfers shares as quickly as possible after the valuation has been made.Notice also that he has said that the cash portion of the withdrawal will be paid from a temporary account named "Pending Withdrawals". By doing that, his bank or brokerage cash balance shown in bivio will stay correct until Annie actually cashes the check. |
| **Making the Transfer**The club required Annie to have an account with the club broker so that costs and time for making the stock transfer would be minimized. If she had wanted her shares transferred to a different brokerage, the club would have taken any fees necessary to do that out of the amount she was owed. She also would have been responsible for any delays in making the transfer.Chris called the club broker and found out the procedure for transferring the shares to Annie's account. He faxed in the required letter authorizing the transfer on 10/9. He also made out a check for the cash owed and mailed it and a copy of Annie's withdrawal report to her.

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| Withdrawal Report Link | Her withdrawal report was found by going to this link on the Reports page.You can see it here: [Withdrawal Report](https://www.bivio.com/demo_club/accounting/reports/withdrawals) |

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| **The End Result**When the entries are completed, Annie's club account has been correctly closed out. Annie had a capital gain on her investment in the club. She had a tax basis in the club of $2157.60 and an account with a value of $2585.23 when she withdrew. That gave her a gain on her investment in the club of $2585.23-$2157.60 = $427.63.If the club hadn't transferred shares of stock to her, she would have been taxed on her gain this year. Since she received mostly stock rather than cash, she can delay paying the taxes on her gain until she sells the stock. As you can see on her withdrawal report, her basis in the club has been transferred to the shares of stock she received. They have a different cost basis than they did when the club owned them.The club also benefits from paying her withdrawal this way. In addition to improving the projected return of their portfolio, they have captured the gain of $1124.94 they had in the two stocks they transferred without having to sell the shares and pay current taxes on them. It's a win-win way to pay a withdrawal!  |