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| [transferring stocks to a withdrawing partner -](https://www.stockcentral.com/forum/posts/t4497-transferring-stocks-to-a-withdrawing-partner%22%20%5Co%20%22withdrawing%20partner) *[withdrawing partner](https://www.stockcentral.com/forum/posts/t4497-transferring-stocks-to-a-withdrawing-partner%22%20%5Co%20%22withdrawing%20partner)* Options Go to last postGo to first unread |
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| [**mdrlux**](https://www.stockcentral.com/forum/profile/68-mdrlux)   | **[#1](https://www.stockcentral.com/forum/posts/m10224-transferring-stocks-to-a-withdrawing-partner%22%20%5Cl%20%22post10224) Posted :** Monday, June 17, 2019 7:23:18 PM(UTC)  |
| mdrluxRank: MemberPosts: 27Thanks: 4 times | My investment club is considering transferring stock to a withdrawing partner. Is there any tax issues for the club that would differ from a sale of shares? Does our MyIclub account handling stock transfers? Is there any accounting issues, we should be aware of before inquiring with our broker and the withdrawing broker about a transfer of shares? My understanding our investment club shares can not be transferred into an IRA account, is that correct? Do you encourage or discourage a club transferring stock shares when paying out a withdrawing partner? |  |
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| [**Pawche**](https://www.stockcentral.com/forum/profile/627-Pawche)   | **[#2](https://www.stockcentral.com/forum/posts/m10225-transferring-stocks-to-a-withdrawing-partner%22%20%5Cl%20%22post10225) Posted :** Tuesday, June 18, 2019 5:24:04 PM(UTC)  |
| Rank: AdministrationPosts: 219Thanks: 1 timesWas thanked: 31 time(s) in 29 post(s) | We definitely encourage transferring stock to fund a withdrawal especially for full withdrawals. There is a big difference in the tax consequences between selling shares to fund a withdrawal and transferring shares. If you sell shares the club will realize gain or loss on the shares sold. There is no gain or loss to the club when shares are transferred. If appreciated stock is transferred you get to use the added value to pay for the withdrawal without realizing current capital gains. There is a big benefit in receiving stock for the withdrawing partner also in a full withdrawal. For investment partnerships stock is treated as property. The withdrawing member gets their cost basis in the club transferred to the shares received. This is not a taxable transaction. The member gets control over when and how much gain to realize when receiving stock in a full withdrawal by controlling when and what shares they received in the withdrawal to sell in the future. The control over gain is true for partial withdrawals but the withdrawing member gets the club's cost basis in the stock transferred in that case. All of the accounting packages from ICLUBcentral have the ability to transfer stock in a partial or full withdrawal. The benefits to the withdrawing member are better in a full withdrawal so we recommend using appreciated stock to fund full withdrawals. The benefits skew more to the club in partial withdrawals.Sorry but I am not familiar enough with the law concerning transferring stock to an IRA or other retirement account. At the very least I suspect the market value of the stock would count towards the maximum contribution for a tax year. I'll look into the issue though.Doug Gerlach wrote an article some years ago on the factors to consider when deciding how to fund a withdrawal. It is archived on the ICLUB web site at [**https://www.iclub.com/clubs/member\_withdrawals.asp**](https://www.iclub.com/clubs/member_withdrawals.asp)In addition there is a withdrawal calculator available in Myiclub.com. There is a link to this calculator at the top of the withdrawal entry screen and also in the Utilities section. It is the very first item in the large window after you click the Utilities link on the left column in Myiclub.Russell Malley |  |
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| thanks 1 user thanked Pawche for this useful post. | [mdrlux](https://www.stockcentral.com/forum/profile/68-mdrlux) on 6/18/2019(UTC)  |  |
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| [**Pawche**](https://www.stockcentral.com/forum/profile/627-Pawche)   | **[#3](https://www.stockcentral.com/forum/posts/m10226-transferring-stocks-to-a-withdrawing-partner%22%20%5Cl%20%22post10226) Posted :** Tuesday, June 18, 2019 5:36:51 PM(UTC)  |
| Rank: AdministrationPosts: 219Thanks: 1 timesWas thanked: 31 time(s) in 29 post(s) | Did a little research and you were correct. You can not transfer stock from a taxable account to an IRA. The stock is considered a contribution to the IRA and the rules stipulate all IRA contributions must be in cash. Russell |  |
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| [**mdrlux**](https://www.stockcentral.com/forum/profile/68-mdrlux)   | **[#4](https://www.stockcentral.com/forum/posts/m10227-transferring-stocks-to-a-withdrawing-partner%22%20%5Cl%20%22post10227) Posted :** Tuesday, June 18, 2019 6:05:18 PM(UTC)  |
| mdrluxRank: MemberPosts: 27Thanks: 4 times | RussellThank you for your quick thorough reply, I will be presenting this information at our meeting tomorrow. The knowledge support base is outstanding for us small investment clubs.thanksMarie RealeGolden Hills Investment Club |  |
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| [**DMauman**](https://www.stockcentral.com/forum/profile/57-DMauman)   | **[#5](https://www.stockcentral.com/forum/posts/m10243-transferring-stocks-to-a-withdrawing-partner%22%20%5Cl%20%22post10243) Posted :** Monday, October 7, 2019 12:17:07 AM(UTC)  |
| DMaumanRank: MemberPosts: 15 | Our club is in the process of dissolving, with a number of members planning to join another club. We're down to three of us left in the club, with the plan being to "end" the club in December. We want to be "clean" with this year's taxes and no carryover into 2020 (avoid filing 2020 taxes) Thee are three of us remaining members of our club planning to take remaining shares of our holdings as well as cash. If we dissolve in early December, and do the stock transfers, how do residual dividends that will have gone ex-dividend (i.e. mid-November) before we dissolve, but not yet paid out be handled? I'm assuming that we're going to get check the funds forwarded to the club for one of our stocks, in the club's name but we'll have withdrawn and paid everybody out by that time? |  |
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| [**Pawche**](https://www.stockcentral.com/forum/profile/627-Pawche)   | **[#6](https://www.stockcentral.com/forum/posts/m10244-transferring-stocks-to-a-withdrawing-partner%22%20%5Cl%20%22post10244) Posted :** Saturday, October 12, 2019 4:55:10 AM(UTC)  |
| Rank: AdministrationPosts: 219Thanks: 1 timesWas thanked: 31 time(s) in 29 post(s) | Dividends received after the dissolution of the club can present problems. Sometimes it creates income in a tax year after the club dissolved. That may mean filing an extra tax return. There are several ways to handle this issue.Here is a way to handle it if you are transferring a dividend paying stock. The dividend should go to the member receiving the stock. If multiple members receive shares in the same company then prorate the dividend in proportion to the shares transferred to total shares owned by the club entitled to receive the dividend. For example, partner A receives 50 shares of company X. The club owned 200 shares of company X entitled to receive the dividend. Partner A would then receive 50/200 = 25% of the dividend received by the club after dissolution. I would formalize this process by voting on it at a regular club meeting and keep a written copy of the agreement. The club can also vote to donate any dividends received after disbanding to charity. Finally the club could vote to distribute the dividends received prorated by percentage ownership just before disbanding to all of the final members.It would probably be best in all of these cases to file a 1099 with the IRS with a copy to each person or organization indicating the club received the dividend as a nominee for someone else. This is essentially what your broker does. They receive dividends as nominee for their clients and report the amounts on a 1099. Since you are dealing only with dividends I suggest you use a 1099DIV. A separate one should be filed for each recipient of dividend proceeds. While I have read the 1099DIV instructions and other IRS guidelines for receiving dividends as a nominee this issue is a bit out of my expertise. You should consider consulting competent professional advise on the matter.Russell  |  |