

ENDOWMENT BENCHMARKS

Principles for Building Endowments (ISM Recommendations)

- Board policy not to spend endowment income until it reaches critical mass levels (or to spend a lower than ordinary percentage)
- Board policy to require 20% of new building price tag to include endowing its operation.
- Establish an endowment-funding expense line in the operating budget (e.g. 1% of total budget): i.e., a third "reserve fund" beyond cash reserve and plant fund.
- Establish a policy that 10-25% of all annual fund-raising campaigns and events be allocated for the endowment.
- Specify a percentage of all capital campaign dollars to go to endowment (ISACS recommends 33-50%).
- Ask the board to lead with deferred-giving programs in allocating a percentage of their estates (e.g., 5%) to be left to the school's endowment.

Managing Endowments: (NAIS/NACUBO Stats of Schools >\$10m Endowments)

- Avg. endowment/student for schools with endowments (ISACS & NAIS) = \$25,000 for day schools, \$60,000 for day/boarding & boarding schools.
- Avg. Annual Spending Rate: 6.7% (spending rule based on pre-specified % of moving average of market values over time: e.g., last three years of market value as of July 1).
- Portfolio Distribution: Domestic Stocks (54%); Fixed Income (26%); Cash (6%); Foreign Securities (7%); Other (6%).
- Annualized Nominal Return (15-year Avg.) = 11.5%
- Fees: Management = .5%; Custodial = .08%

Authors: ISM & NAIS Bulletins

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