Endowments

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Endow is a powerful word. According to Merriam-Webster, it means "to furnish with an income; especially to make a grant of money providing for the continuing support or maintenance of" an institution, project or activity. Endowment donors are strongly motivated to assure that their ideas are sustained. The organization that receives the gift is expected to provide outstanding stewardship, including skilled investment management and thoughtful expenditure of distributed income to achieve a lasting, positive impact.

An endowment fund is typically created to exist in perpetuity, which is why managing endowment assets differs greatly from managing personal wealth. For personal wealth, there is often a goal to be funded within a prescribed timeframe (e.g., retirement, education expenses for children or grandchildren, etc.). Decisions are often made by one or more family members, taxes are a major consideration and legal issues are generally routine.

For endowments, however, the goal is to meet an annual funding requirement (e.g., 5% of the value of the fund). And because the endowment is, in theory, meant to last "forever," the assets must grow over time to keep pace with inflation. Endowment management decisions are often made by committees; IRS regulations for tax-exempt distributions must be considered and there are often complex legal issues to manage.

So what does this all mean to a family considering the creation of a private foundation or an endowment gift? Or to a board member of a foundation or non-profit organization entrusted with an endowment? It means it's time to work with advisors who have deep expertise with non-profit organizations, foundations and endowments. At Westwood Trust, we have a long history of advising philanthropic organizations and families. Contact your relationship manager to learn how Westwood can help you achieve your philanthropic goals.