

EFFECTIVE ENDOWMENT MANAGEMENT

You have worked hard to create an endowment for your organization. Implementing a sound management strategy for this important fund can be intimidating. Our investment strategists and philanthropic specialists can help your organization create a comprehensive policy for your nonprofit's investments. We recommend establishing policies focused on asset allocation, spending criteria, and performance monitoring. With a solid foundation from these building blocks, nonprofits can ease their minds about endowment management. PWM Philanthropic Services can provide recommendations for creating a strong strategy for managing your organization's endowment fund.

Investment Policy

Every endowment should have a comprehensive investment policy that drives the management of the fund. Investment decisions must be made concerning the nonprofit's overall resources and purposes, and the endowment investment policy should be different from the policy for other investments of the organization.

The endowment's objectives should guide its investments and management. It's important not to adopt a generic objective, but to articulate a target that reflects the organization's circumstances. For many nonprofits, the primary goal is to preserve and grow funds for the organization's long-term stability while providing a predictable contribution to support current activities. The investment policy can change over time as objectives or other factors change.

Asset Allocation

Your investment policy will include optimal asset allocation. Your investment committee must analyze the risk and return of potential investments (including stocks, bonds, and alternative investments such as hedge funds and private equity) to determine the best mix and to obtain the total desired return. To maintain flexibility for responding to changes in the investment environment, it's best to establish ranges for each asset class instead of set percentages.

Your investment committee should review each asset class's performance regularly. Allocations can then be adjusted based on both performance and any change in circumstances.

Spending Policy

The investment policy should include a spending policy for the endowment, setting a percentage that can be spent annually. The spending policy will impact the fund's performance and its ability to fulfill the donor's intent.

Performance Monitoring

The investment policy should include benchmarks for evaluating the performance of investments and managers. Performance should be assessed over both full market cycles (seven to 10 years) and the shorter time periods that compose them.

An internal investment committee can meet regularly to review performance, consider recommendations for changes to the investment strategy, and rebalance asset allocation as necessary.

Our Commitment to You

PWM Philanthropic Services is ready to provide sophisticated solutions tailored to your organization's needs. Please don't hesitate to contact us with any questions. We look forward to working with you.



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