MEKETA

Sustaining Missions and Navigating Markets: Frameworks for Endowment and Foundation Spending Policies

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> "Endowment managers pursue the conflicting goals of preserving purchasing power of assets and providing substantial flows of resources to the operating budget."
>
> — Yale Chief Investment Officer David Swensen, in his seminal book *Pioneering Portfolio Management*

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Key takeaways

- **Endowments and foundations should develop a customized spending policy aligned with their specific goals and needs.**
- **Spending policies seek to balance several competing goals, including maintaining intergenerational equity, preserving purchasing power, and providing substantial and reliable yearly income.**
- **There are various spending policy models for institutions to consider:**

  Simple Policies: These are more suited for private foundations that prefer straightforward regulations. They can handle significant annual distribution volatility but may not provide consistent spending levels year over year.

  Moving Average Models: These models help avoid spending discrepancies relative to asset size and protect the corpus during prolonged downturns. They smooth out spending by averaging the endowment's value over a set period, though they can include moderate distribution volatility.

  Inflation-Based Models: These prioritize stable year-over-year distributions and aim to maintain inflation-adjusted value of the endowment. They focus on providing consistent spending power without significant concerns for over- or under-spending.

  Hybrid Models: These combine elements of stability and complexity, requiring institutions to manage intricate policy formulations and communications. They often blend features from other models to balance the need for stable distributions with the protection of the endowment's long-term value.

Introduction

The missions and beneficiaries of endowments and foundations can vary widely. Moreover, the amount withdrawn or "spent" each year is typically customized for the goals and needs of each organization. Developing and maintaining a spending policy is widely considered good governance practice. Broadly speaking, endowments and foundations can pursue three paths when planning their spending:

1. Spend down assets (either over a period of time or in one fell swoop, like for individuals or families who have signed the Gates Foundation's "Giving Pledge"[1]),
2. Temporarily suspend distributions in order to grow, or
3. Aim to distribute capital while also maintaining intergenerational equity.

[1] According to the Gates Foundation, as of April 2025, 245 individuals and couples from 30 countries have pledged to give away more than half of their wealth to philanthropy or charitable causes either during their lifetime or in their will.

Our focus in this paper is on endowments and foundations that aim to maintain intergenerational equity. In these cases, the investment asset base, or corpus, is typically meant to last in perpetuity. At the same time, it is expected to generate substantial and reliable yearly income to support the ongoing operations and/or grant making of the institution. Herein lies the challenge, as these are two competing goals.

The subject of this paper is how best to balance these goals through spending policy development. Both objectives are easier to meet when markets and investments generate strong returns. However, during bear or volatile markets, the ability to balance appropriation versus accumulation can be more difficult. In challenging times, the spending policy of the institution will play a large part in its long-term success. Often, institutions rely more on distributions during stressed market environments, because donations may decrease and the need for scholarships and/or grants may increase.

Spending policy must encompass not only the level of spending, but the type of policy as well. Endowment and foundation Boards of Trustees and staff members should carefully weigh the pros and cons of various spending levels and policies in determining the appropriate policy for their institution.

Factors to consider when choosing a spending policy

When choosing a spending policy, an organization needs to balance three primary factors:

1. **Spending adequately today to**:
    a. support current operations (e.g., university or hospital endowment),
    b. support grant making efforts (e.g., community foundations), or
    c. meet applicable IRS regulations (e.g., minimum 5% spending policy for private foundations);

2. **Preserving intergenerational equity**, which means avoiding a meaningful reduction to the real (inflation-adjusted) value of the corpus of the asset pool[2]; and
3. **Maintaining stability** of spending for budgeting purposes of both the organization distributing the funds and those receiving the funds.

[2] In practice, the concept means spending neither so much that the amount left for future use is meaningfully diminished, nor so little that current needs are being neglected so as to preserve assets for future use.

Each organization must decide the hierarchy of importance of these factors for their organization, which in turn may inform which type of spending policy is most appropriate.

Common types of spending policies

There are several common types of spending policies, each with their own potential advantages and risks. For our purposes, "spending" refers to distributions from the asset pool, whether they are for operations, grant making, or other financial support of the institution.

1. A **Simple** spending policy could range from spending all current income to choosing a pre-specified percentage of the pool's beginning market value each year. Simple spending policies tend to be adopted by institutions that are less dependent on their annual payouts and can tolerate some volatility in spending from year to year.

   Example – Spending 5% of year-end market value.

2. A **Moving Average** policy uses a pre-specified percentage of the average of the pool's historical market values over a period longer than the past year (e.g., the past three years). This policy will lower the volatility of spending from year to year. However, if the market value goes down, the amount of spending will go down with it, which could end up impairing the institutions' ability to make grants or support operations.

   Example – Spending 5% of the three-year moving average of year-end market value.

3. An **Inflation-based** policy increases spending each year by the rate of inflation (typically measured by the Consumer Price Index ("CPI") or a price index specific to the institution's purpose such as higher education or healthcare prices). This policy yields more stable distribution amounts. However, if the pool's total market value decreases due to market movements, the dollar amount of spending will not automatically decline, and the spending rate is likely to increase. In turn, spending a higher proportion from an asset pool that has experienced negative performance may impair the portfolio's ability to recover from losses, which could compromise the intergenerational equity of the institution.

For this type of spending policy, many institutions impose upper and lower bands (i.e., "caps") so that the spending policy has some kind of connection to the portfolio's market value.

Example – Adjust the prior year's spending amount by CPI with a 3% lower band and 7% upper band of the pool's market value for the total spending amount.

4. A **Hybrid** policy combines inflation-based and moving average spending policies. This method provides the stability of inflation-based cash flows, while accounting for the fact that market values have an influence on the institution's ability to spend. Different weights can be used for each component, and upper and lower bands can also be put in place to help protect the corpus.

   Example – 50% of the spending rate is based on a percentage of the 3-year moving average of pool market value, and 50% is based on the prior year spend, plus the rate of inflation.

Spending policy examples

In this section, we compare the impact of six different illustrative spending policies. For the charts that follow, we calculate the amount of annual spending, and volatility of that spending, across three different time periods: a lower volatility period from 1991-2000, a higher volatility period from 2000-2009, and a period of relative stability followed by a global pandemic (COVID-19) and inflation. We assumed a starting market value of $1 billion for the asset pool, an initial $50 million in spending in year 1 across all spending policies, and the actual inflation for that period as measured by CPI.[3]

[3] "In this analysis, a portfolio consists of 60 percent MSCI ACWI and 40 percent Bloomberg Aggregate Bond Index. No contributions occur in this analysis. Note that a portfolio that includes private markets would result in a smoother return stream, potentially leading to less spending volatility than is shown in this analysis.

Spending Policy Type	Assumptions
Simple	Spend 5% of prior year's ending market value.
Moving Average	Spend 5% of prior three years' average ending market value.
Inflation Based	Year 1 spending equals 5% of prior year's market value. Future years' spending increases by rate of inflation.
Inflation Based with Caps	Year 1 spending equals 5% of prior year's market value. Future years' spending increases by rate of inflation. Amount of spending cannot fall below 3% or exceed 7% of the prior year's ending market value.
Hybrid: 50/50	50% of spending based on "Moving Average," 50% based on "Inflation Based with Caps."
Hybrid: 30/70	30% of spending based on "Moving Average," 70% based on "Inflation Based with Caps."[4]

FIGURE 1
Spending Policy Examples

Source: Meketa Investment Group, 2025.

[4] The hybrid policy, particularly with the 30/70 parameters, is highlighted in Swensen's "Pioneering Portfolio Management" and is often referred to as the "Yale rule."

Change in annual spending

The most straightforward spending policy an institution can adopt is a "Simple" policy, whereby an institution takes the prior year's ending market value and distributes a predefined percentage within the next year. The primary downside to this policy is the wide swings in annual dollar spending that can result from volatile investment returns, as illustrated in Figures 2, 3, and 4, which show the change in annual spending from year to year. This type of spending policy is most appropriate for private foundations that are required by law to spend 5% of their corpus. It may also be appropriate for institutions that prefer simplicity and that can tolerate volatility in annual distributions. A "Moving Average" policy helps to smooth out spending volatility but can still be bumpy depending on the volatility of financial markets, and the corpus is less protected.

If year-over-year dollar stability of distributions is the primary concern for an organization, then an inflation-based strategy might be most appropriate. In Figures 2, 3, and 4, regardless of the market scenario, the "Inflation Based" spending policy results in the most predictable and stable distribution pattern. Note, the "Inflation Based" and "Inflation Based with Caps" results in the same distribution pattern for the 1991-2000 time period since the relative stability of the market value of the corpus means the distribution amount stayed within the 3%-7% band. The hybrid policies, combining the moving average and inflation-based spending rules, have volatility levels in between their two components.

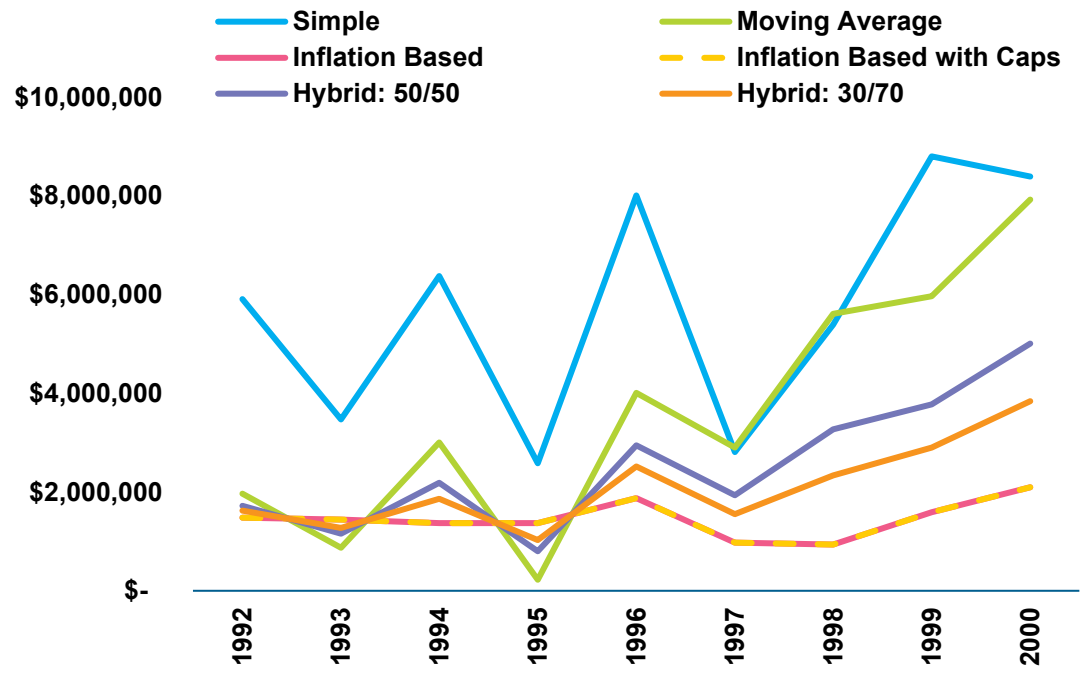

FIGURE 2
Change in Annual Spending (Lower Volatility Time Period)

Source: Meketa Investment Group, 2025.

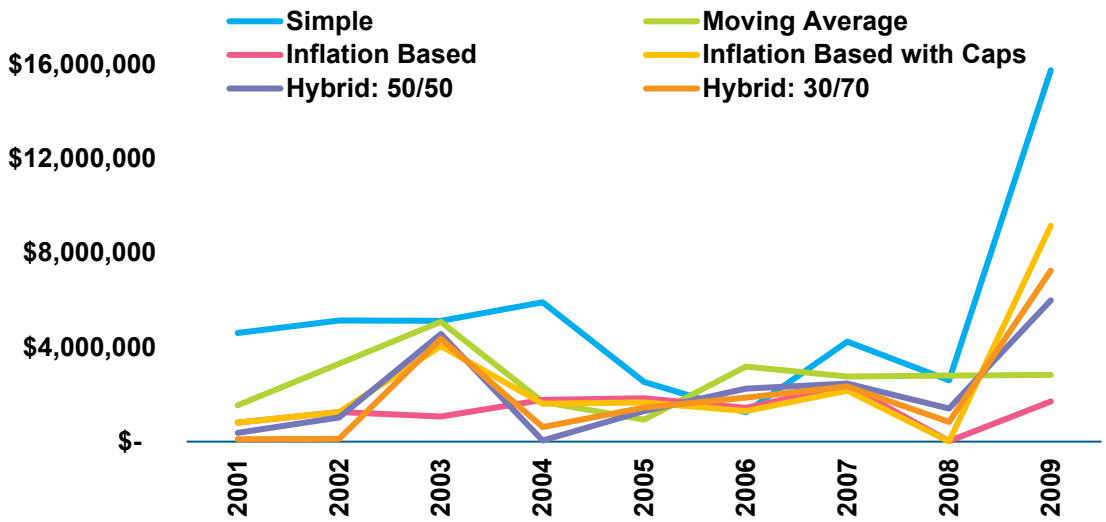

FIGURE 3
Change in Annual Spending (Higher Volatility Time Period)

Source: Meketa Investment Group, 2025.

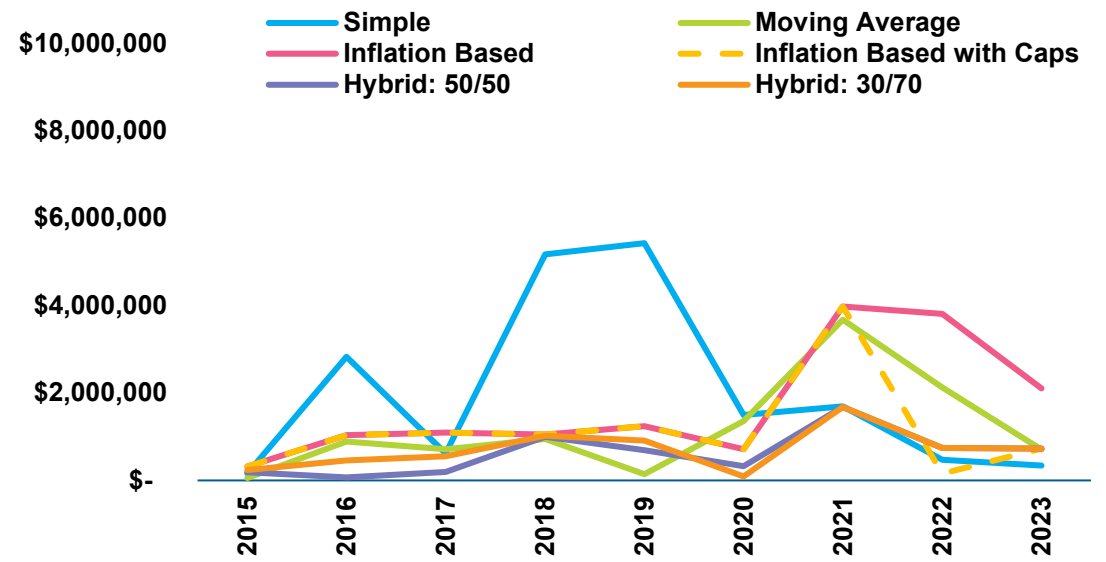

FIGURE 4
Change in Annual Spending (Global Pandemic and Inflation Time Period)

Source: Meketa Investment Group, 2025.

Annual spending

Figures 5, 6, and 7 show the annual spending amount each year. In the lower volatility scenario (which coincided with a strong market), the Simple policy resulted in the most spending in each year, as well as the most cumulative spending. However, during the higher volatility scenario of 2000-2009 (which included two major downturns), either the Simple policy or Moving Average policy produced the least spent in any year. For the Simple policy, the cumulative effect was a dramatic decline of $15 million (or 30%) from the initial spending amount both in year 4 and year 10. During the Global Pandemic and Inflation scenario, the Simple policy led to the most volatile changes in annual spending, while both inflation-based measures and the moving average changed with inflation. However, the inflation-based measures increased spending with inflation, while the moving average decreased spending.

The "Inflation Based" policy would result in the least spending during the lower volatility period. However, it would have resulted in the most spending during the higher volatility and Global Pandemic and Inflation scenario. The Inflation Based with Caps policy would have spent the same as the Inflation Based approach in the lower volatility period, but it would have spent less during the higher volatility and inflation period, though still more than the other policies. The hybrid approaches fall somewhere in the middle, generally demonstrating the greatest stability in annual spending across the scenarios.

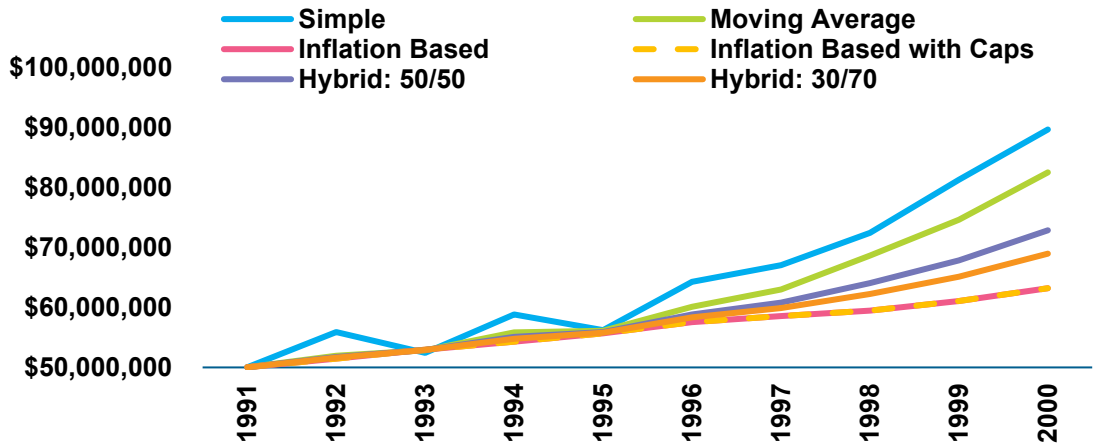

FIGURE 5
Annual Spending (Lower Volatility Time Period)

Source: Meketa Investment Group, 2025.

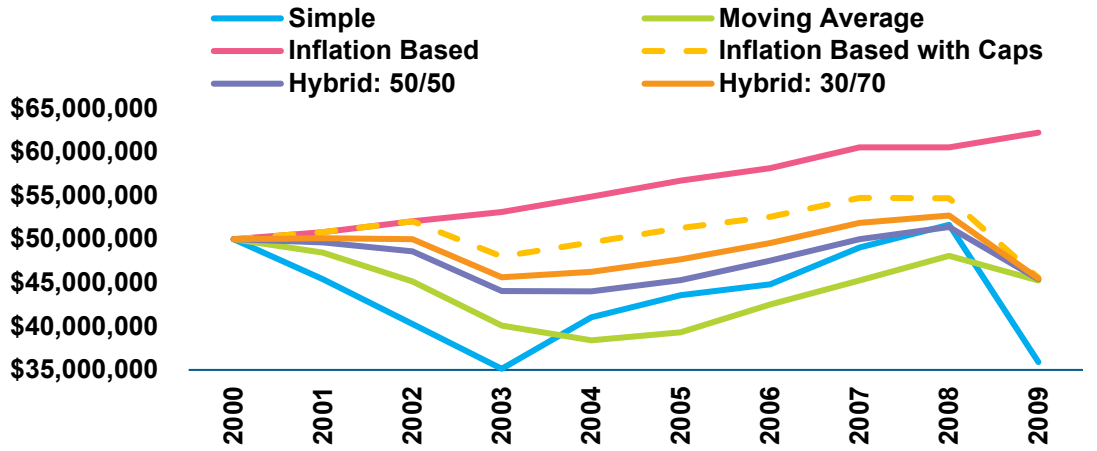

FIGURE 6
Annual Spending (Higher Volatility Time Period)

Source: Meketa Investment Group, 2025.

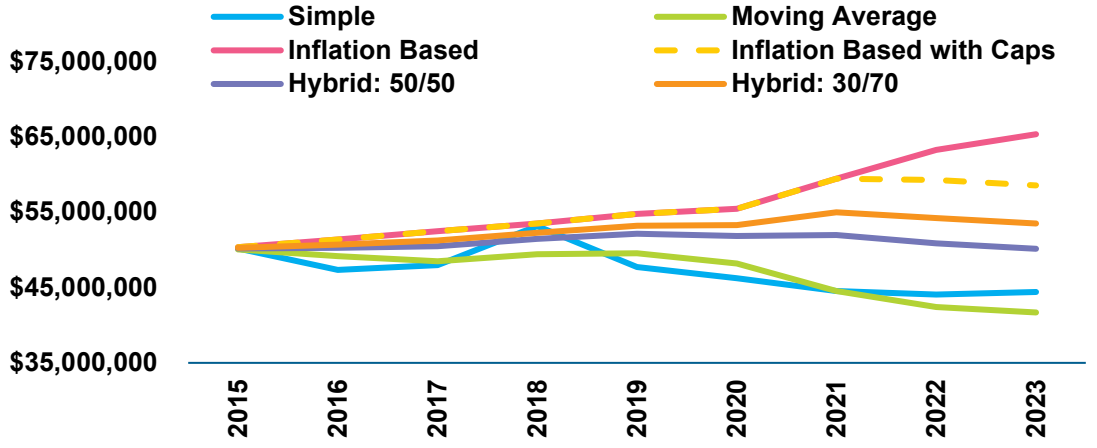

FIGURE 7
Annual Spending (Global Pandemic and Inflation Time Period)

Source: Meketa Investment Group, 2025.

Annual spending as percentage of prior year market value

Figures 8, 9, and 10 examine annual spending as a percentage of the prior year's market value. An Inflation Based policy could result in "underspending" during positive market environments such as during the lower volatility scenario (see Figure 8) and "overspending" during times of market distress or inflation (see Figures 9 and 10). "Underspending" can happen when a spending policy leads to distributions that are a very small percentage of the institution's asset base and are not enough to fulfill the institution's mandate – or at least create the perception that the institution is not spending enough. "Overspending" can happen when a spending policy leads to distributions that are a large percentage of the institution's asset base, and may cause permanent damage to the corpus. Again, the hybrid approaches fall between the Simple policy and the Inflation Based approaches.

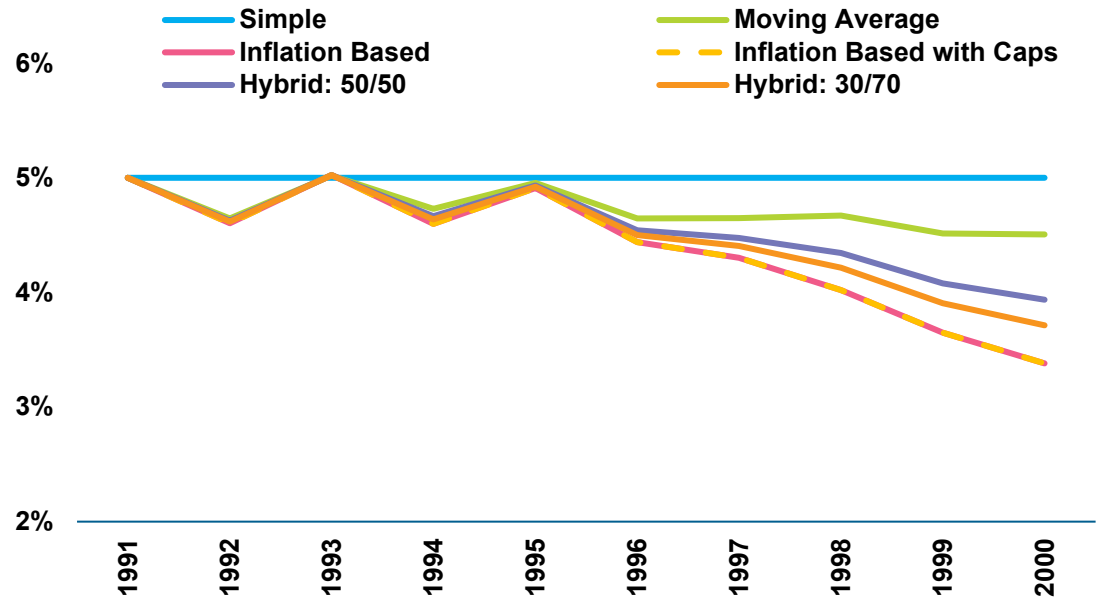

FIGURE 8
Annual Spending as % of Prior Year Market Value (Lower Volatility Time Period)

Source: Meketa Investment Group, 2025.

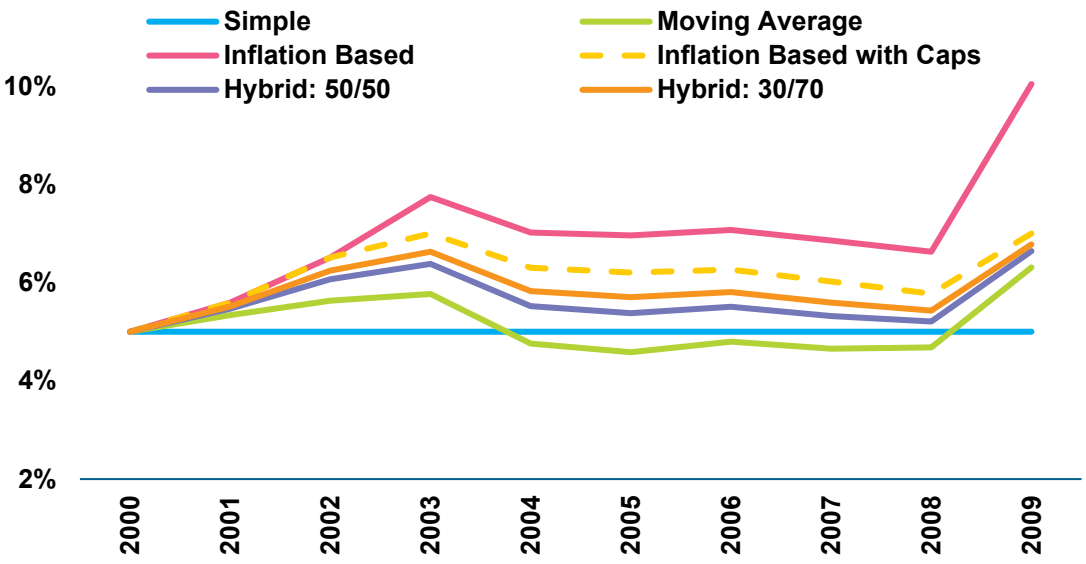

FIGURE 9
Annual Spending as % of Prior Year Market Value (Higher Volatility Time Period)

Source: Meketa Investment Group, 2025.

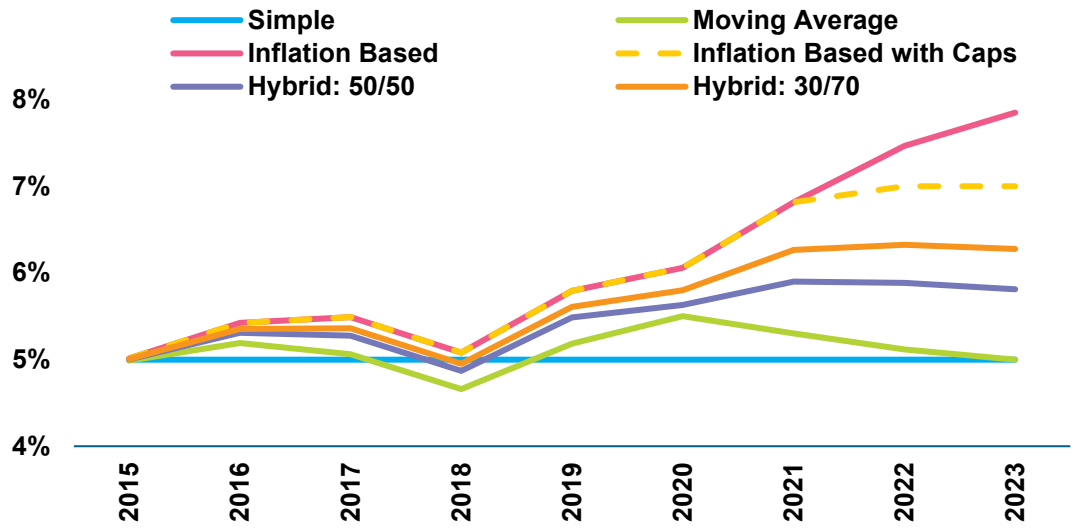

FIGURE 10
Annual Spending as % of Prior Year Market Value (Global Pandemic and Inflation Time Period)

Source: Meketa Investment Group, 2025.

Results of the analysis

The Simple policy exhibited the highest cumulative spending and lowest ending market value during strong market environments (1991-2000), but the lowest cumulative spending and highest ending market value during weaker market environments (2000-2009). During the Inflation period, the Simple policy has the highest ending market value and the second lowest cumulative spending. It was the most volatile spend amount in dollar terms across all environments, but the most stable spend amount as % of market value.

The Inflation Based policy exhibited the lowest cumulative spending and highest ending market value during strong market environments (1991-2000), but the highest cumulative spending and lowest ending market value during weaker market environments (2000-2009). It led to the highest cumulative spending and average spending as a % of market value during the Global Pandemic and Inflation period. It was the least volatile spend amount in dollar terms in low and high volatility environments, but the least stable spend amount as % of market value.

The Moving Average and Hybrid Models tend to represent a middle ground. In terms of volatility of spend amount in dollar terms, they exhibited less volatility than a Simple policy but were more volatile than an Inflation Based policy during the stronger (1991-2000) and weaker market environments (2000-2009). The biggest differences were during the inflationary scenarios, where the hybrid approach hewed to the middle of the road while the moving average resulted in the lowest spend amount. In terms of volatility of spend amount as % of market value, they were less volatile than an Inflation Based policy, but more volatile than a Simple policy across all environments.

Choosing a policy

Due to the limitations of "Simple" and "Inflation Based" spending policies, we think it is prudent for most institutions to adopt a "Moving Average," "Inflation Based with Caps," or "Hybrid" spending policy. Each policy has pros and cons, and institutions should weigh which is most appropriate for them based on their situation.

Inflation based with caps

- **Pros:** typically will lead to more stability year-over-year in terms of dollars distributed than a policy based on moving averages.
- **Cons:** distributions will be less stable as a percent of market value of the assets, which may lead to "under" or "over" spending.

Moving average

- **Pros:** will lead to more stable distributions as a percent of the market value of the asset pool than an Inflation Based with Caps policy. This is less likely to lead to "under" or "over" spending.
- **Cons:** typically will lead to more volatility in year-over-year dollar spending than an "Inflation Based with Caps" or Hybrid policy.[5] It can also result in a much lower annual spending amount during a prolonged downturn, though this lower annual spending could be considered a positive, as it protects the corpus better.

Hybrid

- **Pros:** In most cases, a Hybrid approach will provide a blend of stability in terms of both dollars distributed and distributions as a percent of market value. It can represent a balance between the smoothness of spending and preservation of corpus.
- **Cons:** More complex to calculate. Potentially more difficult for donors and recipients to understand.

[5] One practice often used in insurance and by some individual participants in defined contribution plans, but little used by endowments and foundations, is a "reserving policy," whereby in periods when market returns exceed the amount needed for current spending, the excess portion may be reserved for distribution in later periods of weaker performance. This can help an institution to weather a severe market event.

Investment-related factors to consider in selecting a policy

One investment-related factor for endowment managers to consider in deciding the level and type of spending policy is the expected total return on assets. Total return includes the return from income and dividends, and market appreciation. The Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), which is discussed in more detail below and has been adopted by nearly all 50 states, mandates that spending policy rely on total return, rather than income only.[6] A related factor to consider is the level of inflation. Can the expected nominal return cover both the spending rate and inflation, to maintain the purchasing power of the distributions?

[6] Source: https://en.wikipedia.org/wiki/Uniform_Prudent_Management_of_Institutional_Funds_Act.

Many financial institutions assume a near-term inflation rate in the neighborhood of 2% to 3% per year, although the inflation rate can fluctuate markedly from year to year. Therefore, if the expected investment return is 6% per year, and inflation is expected to be 2.5% per year, a spending rate above 3.5% per year would be expected to reduce the real value of the corpus, which over time would lower "real" spending. If investment-related expenses like investment staff salaries are also drawn from the corpus, those expenses must be considered when setting the return goal or expected long-term rate of return for the portfolio. The areas often supported by endowments and foundations (like education and healthcare) have seen costs rise much faster than core inflation over the past 20+ years.[7]

[7] Federal Reserve Economic Data: Consumer Price Index for All Urban Consumers: All Items Less Food and Energy City Average, Consumer Price Index for All Urban Consumers: Medical Care in US City Average, and Consumer Price Index for All Urban Consumers: Education in US City Average

The level of expected donations to the endowment or foundation is another important consideration. If donations or other inflows are expected to arrive at a consistent or growing level, the organization typically has more flexibility in setting spending than it would if the asset level is fixed. However, many organizations choose to compartmentalize new donations apart from spending, so that donations often enlarge the value of the corpus and offer the potential to increase the scope of activities.

Legal and regulatory considerations

5% spending rule for private foundations

Endowment and foundation managers (including Trustees and Staff) must also consider the legal requirements for their organizations when determining spending rates and policies. Endowments are typically free to set any policy, while foundations ordinarily must spend 5% of investment assets annually, depending on foundation type. The Internal Revenue Service ("IRS") section 823 of Public Law 97-34 required private foundations to distribute at least 5% per year to remain tax exempt. Failure to make timely distributions at the required level would result in a foundation incurring excise taxes and additional penalty taxes if the failure is deemed willful or flagrant. In general, qualifying distributions include any qualifying expenditure or grant and certain set-asides of income for charitable, educational, or religious purposes.

UPMIFA

For endowments and public foundations, the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") allows the organization the freedom to choose a spending policy without specific limits. UPMIFA was approved by the National Conference of Commissioners on Uniform State Laws in July 2006, and it has now been adopted by most states. Many states have added an optional provision to UPMIFA that limits annual spending to not more than 7% of the average fair market value of the endowment (averaged over the last 3 years or more) unless the Board can show that the spending meets UPMIFA's standards of prudence.

Financial accounting standards board

The Financial Accounting Standards Board ("FASB") also regulates how endowment funds are reported and spent. Under FASB, a donor-restricted endowment fund results from a gift with the stipulation that the funds be invested either for a long, pre-specified period, or for perpetuity. Endowment funds with donor restrictions are referred to as donor-restricted endowment funds, while those without donor restrictions are referred to as board-designated endowment funds. Regardless of the overall spending policy an endowment or foundation adopts, it may not be applicable to all endowment funds, given the FASB regulations.

Donor-advised funds

The increased prevalence of donor-advised funds at foundations causes additional complexity when setting spending rates and policy. Donor-advised funds typically come with additional specific restrictions. To participate in a donor-advised fund, a donating individual or organization opens an account in the fund and deposits cash, securities, or other financial instruments. They surrender ownership of assets in the fund but may retain advisory privileges over how their account is invested, as well as controlling when and how it distributes those funds to charities.

Legal requirements imposed by the IRS, UPMIFA, and FASB, as well as the increasing prevalence of donor-advised funds, increases the administrative demands on endowments and foundations when determining spending policy. For example, some institutions may choose to limit spending from "underwater endowments" more strictly than perpetual pooled and non-restricted endowments.[8] Developing different spending policies for different pools of capital increases operational complexity for organizations but may result in increased donor confidence.

[8] Underwater endowments refers to endowments that have suffered investment-related losses such that their current market value is below the originally donated amount.

Market trends

University endowments

The fiscal year *average* spending rate for all endowments has ranged from 4.3% to 4.6% over the past ten years (see Figure 11). Private institutions tend to spend at higher rates than public institutions. Investment returns do not entirely explain the difference between private and public institutions' spending.[9]

[9] Source: 2024 NACUBO-Commonfund Study of Endowments Average Annual Effective Spending Rates for US College and University Endowments and Affiliated Foundations.

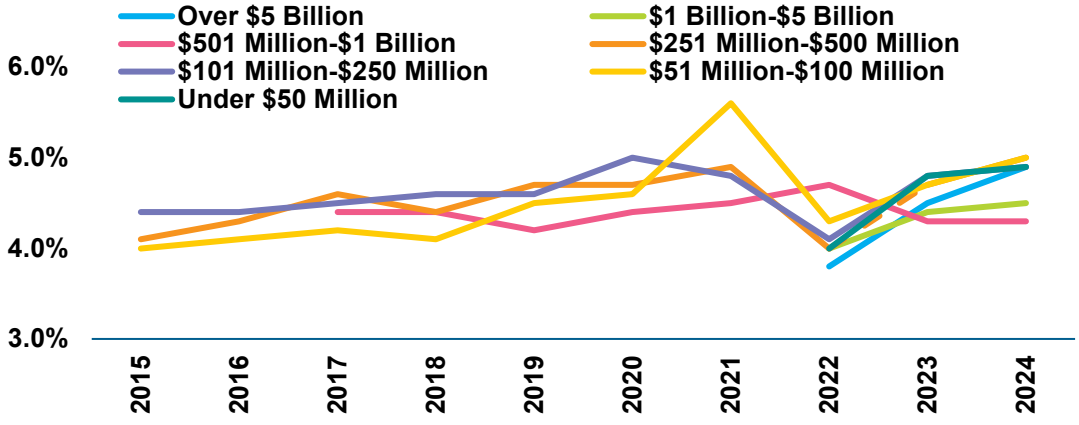

FIGURE 11
Annual Spending by Endowment Size (%)

Source: 2024 NACUBO-Commonfund Study of Endowments Average Annual Effective Spending Rates for US College and University Endowments and Affiliated Foundations.

Private and community foundations

The data shows that median spending rates for community foundations have significantly decreased from pre-GFC levels (see Figure 12). We think it is likely that community foundations lowered spending as a result of lower future expected rates of return, as well as the desire to maintain intergenerational equity. It is not surprising that the median spending rate for private foundations has remained above 5%, given the statutory requirement for private foundations to spend at least 5% per year or face an excise tax. The fact that community foundations and as well as endowments of all sizes and institution types lowered their spending was perhaps heavily influenced by the low, interest rate environment that lasted from 2009 to 2022.

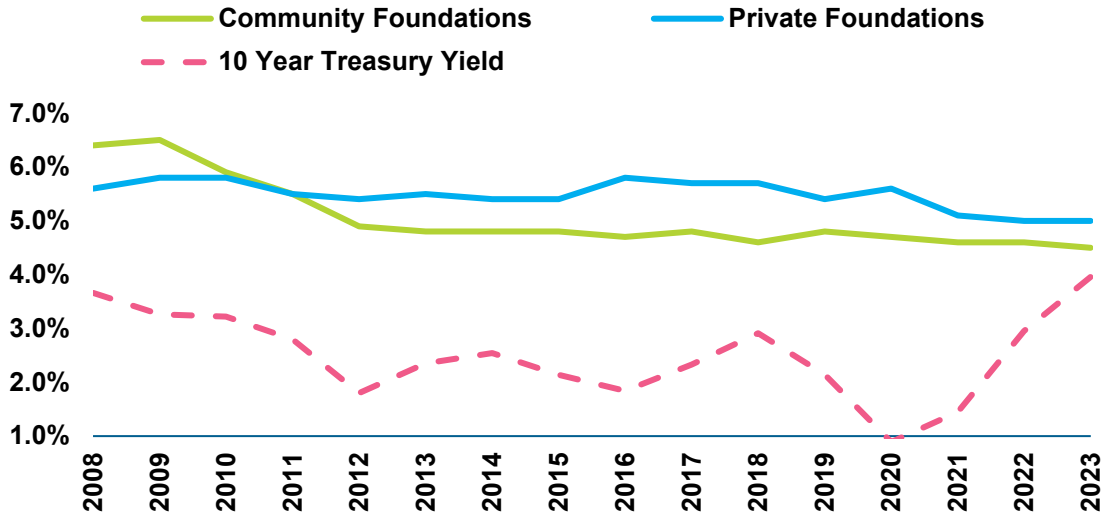

FIGURE 11
Annual Spending by Endowment Size (%)

Source: 2024 NACUBO-Commonfund Study of Endowments Average Annual Effective Spending Rates for US College and University Endowments and Affiliated Foundations.

Conclusion

Endowments and Foundations must consider the trade-off between the return-seeking goals of maintaining or growing assets in perpetuity with the solvency and liquidity goals of adequately supporting the beneficiaries of the institution in the present day. Because each endowment or foundation is unique in its ability to weather spending volatility and its long term goals, there is no one-size-fits-all spending policy.

We believe it is important for endowments and foundations to carefully consider their spending rates and policies. While each institution must assess its particular needs, the table below contains what our analysis indicates are the most appropriate spending policies for each type of institution.

Type of Spending Policy	Most Appropriate For:
Simple	→ Private foundations, which are required by law to spend 5% of their corpus. → Institutions that prefer simplicity and can tolerate significant volatility in annual distributions.
Moving Average	→ Institutions that 1) prefer to avoid "under" or "over" spending relative to size of their asset base, 2) want a policy that will best protect the corpus in prolonged downturns, 3) can tolerate moderate volatility in annual distributions.
Inflation Based	→ Institutions that 1) value year-over-year stability of distributions, 2) would like distributions to maintain a "real" (inflation adjusted) value, 3) are not concerned with "overspending" or "underspending."
Inflation Based with Caps	→ Institutions that 1) value year-over-year stability of distributions, 2) but would like the distributions to reflect the size of the asset base, 3) are not concerned with modest levels of over/underspending.
Hybrid	→ Institutions 1) that prefer the stability offered by a blended approach, 2) can handle the formulation, monitoring, and communication of a more complex spending policy.

FIGURE 13
Types of Spending Policies

Source: Meketa Investment Group, 2025.

Appendix

Endowments

Size of Endowment	2009 (%)	2010 (%)	2011 (%)	2012 (%)	2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)	2023 (%)	2024 (%)
Over $5B	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3.8	4.5	4.9
$1B to $5B	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4.0	4.4	4.5
Over $1B	4.6	5.6	5.2	4.7	4.8	4.6	4.3	4.4	4.8	4.6	N/A	N/A	N/A	N/A	N/A	N/A
$501M to $1B	4.9	5.7	5.2	4.7	4.6	N/A	N/A	N/A	4.4	4.4	4.2	4.4	4.5	4.7	4.3	4.3
$251M to $500M	N/A	N/A	N/A	N/A	N/A	4.3	4.1	4.3	4.6	4.4	4.7	4.7	4.9	4.0	4.7	5.0
$101M to $250M	4.4	4.9	5.0	4.3	4.4	4.4	4.4	4.4	4.5	4.6	4.6	5.0	4.8	4.1	4.8	4.9
$51M to $100M	4.7	4.6	4.5	4.3	4.4	4.2	4.0	4.1	4.2	4.1	4.5	4.6	5.6	4.3	4.7	5.0
Under $50M	4.3	4.1	4.0	3.8	4.3	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4.0	4.8	4.9

FIGURE 14
Fiscal Year Spending by Endowment Size

Source: 2018 and 2023 NACUBO-TIAA Study of Endowments.

Type of Institution	2009 (%)	2010 (%)	2011 (%)	2012 (%)	2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)	2023 (%)	2024 (%)
All Public Institutions	4.2	4.1	4.5	4.0	4.1	4.1	4.0	4.0	4.1	3.8	4.2	4.1	4.2	3.8	4.1	4.2
Public College, Univ. or System	*3.7*	*4.3*	*4.3*	*3.9*	*4.2*	*3.8*	*3.8*	*4.0*	*4.1*	*3.8*	*4.2*	*4.1*	*4.3*	*3.9*	*4.1*	*4.2*
Institution-Related Foundations	*4.3*	*3.9*	*4.1*	*4.0*	*4.0*	*4.3*	*4.2*	*3.9*	*4.1*	*3.8*	*4.2*	*4.1*	*4.2*	*3.8*	*4.2*	*4.2*
Combined Endowment /Foundation	*4.5*	*4.6*	*5.9*	*4.2*	*4.4*	*4.2*	*3.9*	*4.1*	*4.2*	*3.9*	*4.1*	*4.0*	*4.1*	*3.6*	*3.8*	*4.2*
All Private Colleges and Univ.	4.5	4.8	4.6	4.3	4.6	4.5	4.3	4.4	4.6	4.7	4.7	4.9	5.2	4.2	5.0	5.2
Average (All Institutions)	4.4	4.5	4.6	4.2	4.4	4.4	4.2	4.3	4.4	4.4	4.5	4.6	4.8	4.0	4.6	4.8

FIGURE 15
Fiscal Year Spending by Endowment Type

Source: 2018 and 2023 NACUBO-TIAA Study of Endowments.

Private and community foundations

The 2023 Council on Foundations – Commonfund Study of Investment of Endowments for Private and Community Foundations ("CCSF") report, which was released in September 2024, examines community foundation spending rates. The 2023 CCSF study included 291 foundations, including 182 private foundations and 109 community foundations, representing $126 billion in assets.

During fiscal year 2023 (July 1, 2022 - June 30, 2023), the effective spending rate for study participants averaged 5.0% for private foundations and 4.5% for community foundations, down from the previous year's 4.6%. The highest spending rate (5.1%) was found among private foundations with assets over $500 million. The lowest rated (4.5%) was reported by community foundations below $500 million.

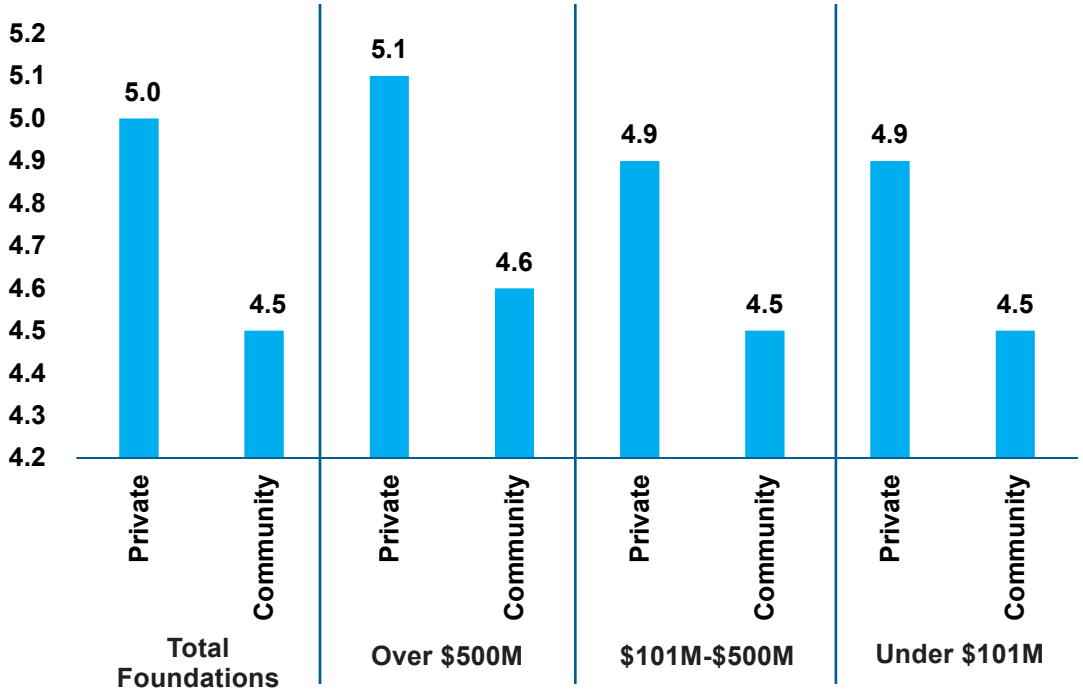

FIGURE 16
Foundation Average Annual Effective Spending Rates for Fiscal Year 2023 (%)

Source: 2023 Council on Foundations – Commonfund Study of Investment of Endowments for Private and Community Foundations.

1991-2000	Cumulative Spending ($M)	Ending Market Value ($M)	Average Change in Annual Spending ($M)	Range of Change in Annual Spending ($M)	Average Spend as % of MV (%)	Range of Spend as % of MV (%)
Simple	679	1,817	6.0	1.9-9.3	5.0	5.0-5.0
Moving Average	643	1,860	4.2	1.1-8.4	4.7	4.5-4.9
Inflation Based	564	1,928	1.5	0.9-2.0	4.1	3.1-4.9
Inflation Based with Caps	564	1,928	1.5	0.9-2.0	4.1	3.1-4.9
Hybrid: 50/50	603	1,894	2.8	1.2-5.2	4.4	3.8-4.9
Hybrid: 30/70	588	1,907	2.3	1.3-4.0	4.3	3.5-4.9

1991-2000	Cumulative Spending ($M)	Ending Market Value ($M)	Average Change in Annual Spending ($M)	Range of Change in Annual Spending ($M)	Average Spend as % of MV (%)	Range of Spend as % of MV (%)
Simple	432	860	5.1	1.1-15.5	5.0	5.0-5.0
Moving Average	438	857	2.6	0.8-5.2	5.2	6.3-4.6
Inflation Based	558	737	1.3	0.1-2.4	7.3	5.6-10.4
Inflation Based with Caps	506	776	2.6	0.0-10.2	6.3	5.6-7.0
Hybrid: 50/50	472	817	2.2	0.1-6.6	5.7	5.3-6.7
Hybrid: 30/70	485	800	2.2	0.1-8.0	6.0	5.5-6.8

1991-2000	Cumulative Spending ($M)	Ending Market Value ($M)	Average Change in Annual Spending ($M)	Range of Change in Annual Spending ($M)	Average Spend as % of MV (%)	Range of Spend as % of MV (%)
Simple	475	909	2.0	0.2-5.4	5.0	5.0-5.0
Moving Average	473	853	1.2	0.1-3.7	5.1	4.7-5.5
Inflation Based	556	852	1.7	0.3-4.0	6.0	5.0-7.9
Inflation Based with Caps	545	856	1.1	0.2-4.0	5.9	5.0-7.0
Hybrid: 50/50	509	883	0.6	0.1-1.7	5.4	4.9-5.9
Hybrid: 30/70	524	872	0.7	0.1-1.7	5.6	5.0-6.3

FIGURE 15
Fiscal Year Spending by Endowment Type

Source: 2018 and 2023 NACUBO-TIAA Study of Endowments.

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