



SPENDING POLICY

Purpose

A Spending Policy utilizes the increase in principal appreciation made possible by a total return investment policy. By selecting a percentage rate to calculate the annual charitable payout, an appropriate sum is available for distribution to the various charitable causes served by the foundation and/or endowment fund. The GiveWell Community Foundation has adopted a Spending Policy to offer our fundholders a projected amount of money that will be available for distribution on an annual basis, while preserving the fund itself for perpetuity and allowing for fund growth.

Recommendation

The GiveWell Community Foundation Board of Directors currently recommends a Spending Policy of 4% of the fair market value of the fund balance over the past 12 quarters. According to available research and based on long-term market performance, 5% is historically the amount that most permanent endowments can distribute annually and maintain principal value in real dollars. This preserves the “philanthropic power” of endowment dollars by protecting the fund’s value against inflation and year-to-year fluctuations in the investment market.

The GiveWell Community Foundation Board of Director’s reviews and approves the Spending Policy annually. This rate is subject to change. If the total return over time is NOT great enough to meet the payout and protect against inflation, GiveWell Community Foundation will consider lowering the payout rate to preserve the long-term value of the fund. Conversely, if the total return increases sustainability and in the sustained manner, GiveWell Community Foundation will consider increasing the payout rate. This helps to preserve and build our endowed funds entrusted to the Foundation and to maintain grant levels during periods of “down markets.”

Distributions

Distributions will be made only from endowed funds that have reached GiveWell Community Foundation’s minimum funding level. Unless otherwise notified in writing, GiveWell Community Foundation will assume that funds with a balance less than the minimum funding level are in their “growth period” and will reinvest all earnings to help the fund reach the minimum level as quickly as possible. Spendable amounts are figured annual, based on the establishing gift date unless otherwise noted in the fund agreement.

For newly established funds, the first distribution from the Fund shall be no sooner than one year from the fund establishing gift date. The Spending Policy is designed to allow the funds to be invested on a "total return" basis to maintain, and if possible, increase the real value (as adjusted for inflation) of the funds, while at the same time providing a relatively steady and predictable level of distributions.

This Spending Policy recognizes the definition of income as the Total Return concept. Income will include not only interest and dividends, but also include increases and/or decreases in the market value of the endowed assets. Market value fluctuations are included as an integral part of investment returns.

Approved by the Board of Directors: September 26, 2017

Date

Board Secretary

A handwritten signature in cursive script, appearing to read "Jan Kowalski", is written over a horizontal line.