



# SPENDING POLICY

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## **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 distribution, an appropriate sum is available for distribution to the various charitable causes served by the foundation and/or the applicable 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. This projected amount of money is referred to as the "Spendable Amount."

## **Recommendation**

The GiveWell Community Foundation Board of Directors initially recommended a Spending Policy rate 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. In some cases, fund agreements may provide for payout rates that differ from the Spending Policy rate. In such cases, the Spendable Amount shall be calculated in accordance with the rate set forth in the applicable fund agreement. This Spending Policy applies to such funds in all respects, other than the rate used to calculate the Spendable Amount.

The GiveWell Community Foundation Board of Director's reviews and approves the Spending Policy rate 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. Notwithstanding the foregoing, if a fund is currently underwater, which means the fund currently has less in assts than the principal that was donated to the fund, the payout rate in computing the Spendable Amount for the fund shall be an amount equal to one-half of the Spending Policy rate (the "Underwater Policy"). This helps to preserve and build our endowed funds, whether permanently restricted or temporarily restricted, 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 annually, as of the quarter end immediately following 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.

The Spendable Amount is the maximum that can be granted, but there is no obligation to grant the entire amount. Unless otherwise provided in the applicable fund agreement, any unspent funds remain spendable and may be carried forward to future years, subject to the Underwater Policy.

This Spending Policy recognizes the definition of income as the Total Return concept. Income will include not only interest and dividends, but also includes realized gains and losses.

Approved by the Board of Directors: May 30, 2023  
Date

  
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Anne Furr, Board Secretary