

THE COMMUNITY FOUNDATION
of Shelby County

Build Today...Dream for Tomorrow

Spending Policy Information Sheet

What is a Spending Policy?

A Spending Policy is a disciplined approach to identifying how much can be disbursed from an endowed charitable fund each year. The goal is to limit spending enough that the fund's market earnings will continue to grow the fund balance and keep pace with inflation.

The biggest perk is that when investments are down, the fund can typically continue to disburse at a time when it is most needed for scholarships and charitable organization support. However, should a fund fall below 85% of its principal (gift) balance as of October 1 each year, the Foundation will suspend all new grantmaking to avoid depleting the fund. Any grants or scholarships awarded or approved in the prior year will be paid.

How much may be granted each year?

At this time, the Spending Policy is **3% of the fund's average balance from the prior 16 calendar quarters**. The calculation is completed using the 16 quarters prior to October 1 each year. This gives Foundation staff time to prepare the amount available for grants or scholarships in the coming year. Short term market fluctuations have a less drastic effect on amounts available for granting. New gifts gradually affect the spendable amount as the fund's higher balance begins to increase the average.

Which charitable funds will abide by the Spending Policy?

Those charitable funds whose agreements indicate a temporary or permanent endowment will abide by the spending policy. The fund agreements for permanently endowed funds typically state phrases such as:

- Endowment
- Permanent
- Retain Principal
- Spend Income only
- Disbursements/distributions made from Total Return

Those charitable funds that are temporarily endowed should use the spending policy as their guide except for any special circumstances that are stated within the charitable fund agreement. Temporarily endowed funds typically contain phrases such as:

- Primarily an endowment....distributions may be made from Total Return and Principal
- Primarily an endowment...Unless otherwise directed in writing by the advisory committee, all distributions shall be made from Total Return.

Non-endowed funds which allow disbursement of a charitable fund's Principal and Total Return are not affected by the spending policy. Charitable Distribution Accounts, Project/Campaign Funds and other charitable funds which have not restricted spending amounts are free to continue their traditional disbursements.