

Operating vs. Endowment Gifts to ICS

Gifts to ICS can take two forms. The first is a gift to the general operating fund and the second is a gift to the endowment. Both kinds of gifts are the lifeblood of ICS's ability to serve our community but are much different in terms of ICS's ability to utilize them. A gift to the general operating fund may be used in full by ICS within a year. Gifts to the endowment however are perpetual in nature, and ICS can only access up to 5%, with stipulations, of the principal amount of the gift annually. The real value to ICS with endowment gifts is that it can count on annually spending a small portion of endowment assets' market value forever (never withdrawing principal) which significantly increases the long-term stability of the organization.

Another way to think about general operating vs. endowment gifts is when one foregoes spending on current lifestyle spending desires and saves for his or her retirement. The retirement funds accumulated represent a "nest egg" for future spending needs and are very similar to an endowment. Just as one would not spend 100% of his or her retirement nest egg in any one year, ICS can only spend up to 5% of endowment fund assets each year. The larger the "nest egg" (endowment), the more reliable annual income of the organization becomes to fund the many ways ICS serves our community.

(Article submitted by Scott Summerford, CFA, Senior Investment Manager, Wells Fargo Wealth Management Group)

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