

# **Best Practices for Growing Your Endowment**

## **Diocese of Marquette**

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## What is an endowment?

An endowment is a permanent fund from which income can be used in accordance with the wishes of the donor. The fund's principal value is not spent. The principal includes the initial contribution given to establish the fund, as well as additional gifts to the endowment. The assets grow through sound and socially responsible investment policies and new gifts.

## Why establish an endowment?

Excellent programs require substantial, consistent and permanent funding. An endowment provides a stable base for that funding. In general terms, by creating or giving to an endowment, an individual can take another step in living out a life of stewardship – giving of time, talent and treasure in gratitude for God's many gifts to us. Stewardship is not a one-time act of giving, but rather a way of life. As good stewards, each of us plays an important role in perpetuating Christ's work in the Church. Fulfillment of the Church's mission is dependent in part of the sustained support of the people of the Diocese of Marquette.

## Know the Benefits

Endowments offer benefits to both the **giver** and the **receiver**.

- 1. Durability.** Provide for the long-term needs of the parish/school and the people. Endowment funds are to a parish/school what retirement funds are to an individual – they represent set-aside resources for the future. No parish or school will ever stop raising current gifts to support ongoing operations, but it may, through endowment dollars, be able to underwrite programs, positions and even facilities that would be impossible to maintain otherwise. A strong endowment provides financial depth and permits confident planning. People like the concept of a fund that is guarded and invested separately from other assets so the principal of the fund will stay in-tact. A prudent spending policy ensures proper spending and growth of the fund.
- 2. A Positive Legacy.** Establish a legacy for others to continue. Help ensure a tradition and a sense of value for caring in your children, friends, and colleagues. When donors attach their names to an endowment fund, they create an enduring legacy that will outlive them and influence succeeding generations. Grandchildren, great-grandchildren and other family members and friends will be reminded of the person's values and commitments. Endowment funds can also be used to honor the lives of others who have made a significant impact on the donor and/or the parish/school.
- 3. Perpetuate Annual Gifts.** Many donors see an endowment fund as a means to underwrite their own regular giving. For example, an endowment fund of \$20,000 could create an annual "gift" of \$1,000 to the parish or school. It's a great way to keep giving generation after generation.

4. **A Stronger Parish/School/Catholic Ministry.** Each year, the parish or school or other diocesan entity must raise a certain number of dollars to meet operational costs to sustain facilities, ministries, programs and personnel. Raising money for the “here and now” is always a priority. Annual payouts from endowment funds relieve some of this pressure and permit the leadership to plan more confidently. An organization with a strong endowment is simply more stable financially.
  
5. **Personal Satisfaction.** There is something wonderfully fulfilling about doing something good that lasts, something that really makes a difference. Other kinds of giving are important, but supporting a fund that will benefit others forever is truly satisfying. An opportunity to give is an opportunity to be involved. It is caring and serving.

## Endowment Growth Essentials

1. **Know why you have an endowment.** In order to successfully undertake an endowment initiative, your organization ideally would have: financial stability, a solid annual fund raising program, at least the beginnings of a major and planned giving program, a focused mission, efficient implementation of that mission, and a clear vision both of where it is headed in the future and of how an endowment will help this vision become a reality. A strong strategic plan that articulates a vision for the future of the parish/school is necessary.

If the organization does not have a stable financial base and struggles at times to meet payroll and other fixed expenses, an endowment is not the answer to this basic problem. It would be extremely difficult for a parish or school in this predicament to attract gifts to an endowment; people do not want to invest in a sinking ship.

The answers to the following questions will help answer the underlying “why” question for your parish or school:

- *What role will the endowment play in the future vision for the parish or school?*
- *What is the fiscal stability of the parish or school?*
- *What is the status of the parish or schools’ annual fund raising initiatives?*
- *What is the trend for meeting the annual giving goals?*
- *What is the trend for meeting third source revenue needs?*
- *Are there consistent, long-term donors?*
- *Are new donors being added?*
- *Are parishioners or supporters regularly “taking a step” in their annual giving?*
- *When was the last time the organization had a major fund raising drive?*
- *What was the outcome?*

2. **Know What Your Endowment Is Designed to Accomplish.** There are many inaccurate perceptions about what an endowment is and is not. It is important that the

endowment governing body and parish/school leadership have an accurate understanding of what the endowment is designed to accomplish.

All endowment funds in the U.P. Catholic Foundation are permanent - the principal amount is held and invested and only the income (or a portion of the income) is spent each year.

The purpose of the endowment is clearly stated in the Fund Agreement.

It is important to determine an appropriate role of the endowment within your organization. This decision needs to be made in light of donor needs and your organization's needs. Generally, the more complex the endowment fund is, the more work that will be involved in stewarding it. Service to endowment donors is critical.

When your organization has a good understanding of what the endowment is designed to accomplish, and has a good understanding of its own long term ability to steward the fund, then it will be well positioned to respond to donor needs, build the endowment, manage the distributions, and deliver the benefits to the people.

- 3. Promote Your Endowment and Opportunities to Give to It.** The endowment should be promoted in a variety of ways. This is especially important if the endowment fund is in its early years. Parishioners and supporters should know that the endowment exists and that it is a vital component of future planning and vision.

Creating an awareness of the endowment can be accomplished through multiple channels of communication such as:

- *Newsletter*
- *Annual report to donors*
- *Direct mail*
- *Website*
- *Social Media*
- *Pulpit announcement – verbal*
- *Bulletin announcements*

The message of your promotional effort should focus primarily on the **benefits** a potential donor would derive from giving to your existing endowment or creating a new endowment. Chief among them is the perpetual nature of the endowment. Many people are looking for ways to leave a lasting impact on the world after they depart from it. What better way to do this than through an endowment that will provide important resources for the donor's favorite Catholic ministry perpetuity?

Another way to promote your endowment is the establishment of a fund in memory of or in honor of a family member, mentor or other loved one. This tribute will be

perpetual. Many people feel a debt of gratitude to their favorite Catholic ministry, and an endowment is a method of saying thank you.

- 4. Stewardship, Stewardship, Stewardship.** You cannot thank a person too many times for supporting your endowment. Endowment donors may be your most ardent supporters. They believe enough in the parish/school/organization and its future to provide support to it forever.

It is said that the most profitable business is repeat business. Stated another way, an organization's best prospects for future donations are its current donors with endowment donors at the top of this list.

One effective stewardship mechanism is the **annual report**. The Upper Peninsula Catholic Foundation will publish an annual report as a measure of accountability and transparency. This report features audited financial statements, a list of existing endowment funds and the distributions to each, highlights of newly established funds, and impact stories of a few donors and fund beneficiaries. These annual reports are a source of satisfaction for endowment donors. They also serve as an important marketing tool for growing your endowment.

The stewardship activity with the most impact is a communication between the beneficiary of an endowment and the endowment donors. An example of this is a letter to the endowment donors (or the donor's family if the donor is deceased) from a person who has benefitted directly from this endowment, or from the leader of the beneficiary entity (for example, the pastor or school principal).

This letter can express gratitude, explain the impact the gift had on his/her life, and share related dreams and future plans.

Such communications can be the genesis of a life-long relationship. They can also sow the seeds for the next generation of philanthropists.

## Conclusion

Endowments are the lifeblood of many organizations. Your endowment will provide funds to support your parish, Catholic school, or other diocesan entity forever.

An endowment gift is truly a gift that “keeps on giving”. It is an eternal flame that will burn brightly in the hearts, minds and faith life of the next generation of Catholics. An endowed gift is a faith expression and evidence of the donor’s belief and commitment to the Catholic faith.

Stewarding the endowment is an important responsibility. Those who contribute to endowments are placing their confidence and trust in the individuals who will do the work of improving, strengthening and sustaining the quality programs and services that are the foundation of our faith.

Endowments are institutional commitments that transcend changes in pastors, personnel, administrators and committee members.

Work diligently to build your endowment. Do so secure in the knowledge that your work will long outlast you as you help philanthropists provide a solid future for your parish.