



# How Endowment Giving Works

# 100-21=107

No, this isn't "new" math. The above "equation" does, however, represent the power of endowment giving and grant-making.

Mary Hollaway, who enjoyed a long career with Fahey Bank, generously created several funds at Marion Community Foundation through her will in 2011. Each was worth \$100,000. If we look at one of those funds as an example, that \$100,000 became a permanently endowed fund in her name: the Mary H. Hollaway Humane Society Fund.

Our prudently crafted spending policy at Marion Community Foundation allowed this fund, in its first four years, to grant \$21,000 to the Marion County Humane Society to support its charitable purposes. Equally well-crafted is our investment policy. By working closely with our local financial advisors and professional investment advisory group, Mary's fund grew to be worth \$107,000 in that same time. **So, even though the fund started with \$100,000 and gave away \$21,000, the fund still had \$107,000 in endowed assets.**

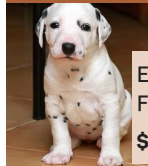
That's the beauty of endowment giving. Mary's endowed fund will continue giving ample annual grants in perpetuity to one of her favorite charities and continue to be prudently invested in order to support those annual grants. Based on sound calculations, we can project that over the next 25 years, Mary's fund will likely grant **\$132,000** and still be worth **\$115,000**. That makes our equation look like this: **100-132=115**. How's that for some nifty math? And, that pattern will continue well beyond those 25 years.\*

We think Mary, who loved her pets and knew the value of a dollar, would be very pleased to know how her gift is working to improve our community and to know that it will continue for generations to come.

## Mary H. Hollaway

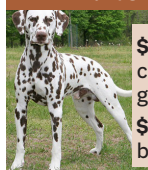
*Mary H. Hollaway Donor Advised Fund, Mary H. Hollaway Humane Society Fund, Mary H. Hollaway Non Endowed Fund, Mary H. Hollaway Palace Theatre Fund and Nobel F. Hollaway YMCA Fund ■ est. 2010*

### YEAR 1



Establish your Family Fund  
**\$100,000 gift**

### YEAR 25



**\$132,000** in cumulative grants & fees  
**\$115,000** balance

### YEAR 50



**\$282,000** in cumulative grants & fees  
**\$125,000** balance

\*Assumes 5.0% annual payout and 5.5% rate of return





## Non-Endowed Fund Options

If you prefer to not create a permanent endowment fund, you can establish a non-endowed scholarship or grant fund. In this type of fund, **some or all of the fund's principal is paid annually** for grants or scholarships. You could give a one-time gift, for example, of \$10,000 and direct that \$1,000 scholarships be awarded annually **until the fund is depleted**.

Or, you could decide to **contribute a specific amount**, say, \$1,000, each year and direct that \$1,000 to be **paid in the current year** for scholarships or grants. This is what is known as a “pass-through.”

A third choice is to **blend an endowed fund with some non-endowed gifts**. This might be a good option if you want to start awarding scholarships or grants immediately, but you currently don't



have the ability to contribute an amount to reach the fully endowed level. In this scenario, you could create an endowed fund with an initial gift of \$1,000 and

the intention of building a permanent endowment. In addition, you contribute another \$1,000 as a “pass-through” donation to be awarded in the current year for scholarships or grants. In subsequent years, you decide how much to contribute to your endowed fund to **build the principal** and **add additional pass-through amounts** for current-year scholarship or grant awards. Once the principal reaches the required endowment minimum (\$5,000 for grant funds and \$10,000 for scholarship funds), annual awards will be paid from the endowment in accordance with our spending policy, and you can decide whether to continue making pass-through contributions.