

**Iowa Community Philanthropy Academy**  
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**Building an Investment Policy for Endowed Assets**  
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1. Understand your goals
  - a. Investment policy is not meant to make you rich
    - i. True growth occurs through fund development
    - ii. Investment policy should be built to satisfy specific goals
      1. What asset classes compliment others
      2. Balance of real income versus appreciation
      3. Use of total return
  - b. Spend rate + fees (internal and external) + inflation
  - c. Protection of Principle
    - i. The balancing act of need/growth versus risk
    - ii. Endowments are meant to last in perpetuity
2. The Challenge of Investing Small Endowments
  - a. How can you get 7% on \$100,000?
    - i. You can't, at least not responsibly
      1. Too much risk exposure
      2. Must always remember these are endowed funds
      3. Beware the "great opportunity"
        - a. Continuity of Investment Policy is important
    - ii. Options are limited to fixed income vehicles and a small percentage in equities
    - iii. Wide diversification impossible
      1. Diversification lowers risk
      2. Creates a check and balance system within the portfolio
      3. Some asset classes require minimums
  - b. Local versus outside management
    - i. Bottom line: what creates the greatest benefit?
      1. Will local banks bring donors to the CF?
      2. What are their investment options?
      3. Conflicts of interest.
      4. Will a consultant take on a small account?
3. Affiliating versus going alone
  - a. **THE TWO BIG ADVANTAGES TO AFFILIATING**
    - i. Assets are pooled in larger fund
      1. Gives much more investing power
      2. Access to investments fund wouldn't ordinarily have
      3. Creates opportunity for return within reasonable risk
      4. Increases probability of providing greater benefit
        - a. This is the role philanthropy

- b. Don't put parochial interests ahead of this goal
  - ii. Investment administration assumed by someone else
    - 1. Frees time for fund development
      - a. Don't minimize this impact
      - b. Lots of energy can be spent deciding limited range of investments
      - c. Will expose level of commitment to fund development
    - 2. Can bring clarity to fund administration
      - a. Don't be afraid to ask questions; it is your right
    - 3. Can remove appearance of a closed circle and conflicts of interest
      - a. Tight group of "power brokers" aren't in control
      - b. Understand that people pay attention to these issues
- b. ISSUES TO CONSIDER WITH AFFILIATION: YOU ARE THE CUSTOMER**
- i. Portability
    - 1. What are your growth expectations?
    - 2. Will you ever become large enough to get effective returns on your own?
  - ii. Access to information
    - 1. You owe it to your donors to be diligent
    - 2. Your CF should be easy to work with
  - iii. "Money has left the community"
    - 1. This is a red herring
      - a. Emphasis should be on what best benefits the community
      - b. What method best helps you grow
    - 2. Important for everyone to communicate the same message

**Final Comment:** Stewardship of your endowed assets is critical to the long-term success of your foundation. Make sure your process has credibility, look hard for even the appearance of conflicts of interest, make decisions based on how the fund and the community benefits, and know that your actions are being watched. Potential donors must have confidence in your organization. This is best communicated through your policies and your actions.