



Endowment Fund Spending Policy

A. General Information

The *name of Church* Endowment Fund, *full address*, (hereafter "Endowment Fund" or "Fund") hereby adopts this Statement of Spending Policy. The Fund operates as part of the committee structure of *name of Church, full address*, (hereafter "the Church"). The Endowment Fund provides grants to not-for-profit causes and organizations which support the special needs of the Church and the broader United Methodist community.

B. Purpose

The purpose of the Spending Policy is to establish a consistent plan that will enable the Endowment Committee 1) to approve and to disburse funds that fulfill the ministry and designation of the endowments received and 2) to further strengthen the financial base of the Endowment Fund.

C. Problems to Avoid

This Spending Policy is adopted in order to minimize the problems that may occur without such policy, including, but not limited to:

1. Erratic spending that may place the future of the Fund in jeopardy.
2. Disregard for the effect of inflation, thus decreasing the financial power of the Fund.
3. Lack of disbursements from the Fund resulting in a disinterest in future contributions and bequests to the Fund.
4. Investing too conservatively causing low growth of the Fund, or investing too aggressively placing the Fund at high risk.

D. Policies Adopted

The Endowment Committee hereby adopts the following policies as the components of its Spending Policy:

1. Income Definition: The Fund shall use the definition of income as defined by Corporate Law, which generally defines income as earnings from all sources including interest, dividends, net rentals and capital appreciation.

2. Inflation Retention: The Fund shall retain sufficient income to offset the long-term effects of inflation.

3. Spending Rate: Financial analysis has demonstrated that a 4.2% spending policy and an endowment portfolio invested in a balanced fund of approximately 60% stocks and 40% bonds is very likely to never be depleted. A set spending rate is an industry standard for charitable endowment funds. Thus, the Fund shall use a spending rate of _____% (*4% to 5% is recommended*) annually.

4. Application of Spending Rate:

Option A

The spending rate as determined above shall be applied annually to the account balance as of _____. The resulting amount shall be available for distribution as gifts or grants.

Option B

On or about _____ of each year, the spending rate as determined above shall be applied to the average account balance of the Fund at the end of the previous _____ calendar quarters (*suggest 5 quarters.*) The resulting amount shall be available for distribution as gifts or grants.

Option C

On or about _____ of each year, the spending rate as determined above shall be applied to the average account balance of the Fund at the end of the previous _____ years (*suggest 3 to 5 years.*) The resulting amount shall be available for distribution as gifts or grants.

5. Limitation on Spending: (*Optional*) The Fund shall not make a distribution which would reduce the Fund balance below inflation-adjusted principal.

6. Unspent Income: Income available for making grants or other distributions, as determined under the above policies, definitions and formula, but which is not disbursed for any reason, shall be

available for disbursement in future years. However, by action of the Endowment Committee, undistributed income may be added to principal on a case-by-case basis.

**Adopted by _____ United Methodist
Church Endowment Committee on _____, _____.**

SAMPLE

Note: This sample document was prepared by the United Methodist Foundation of Michigan and is to be used only as a guide for local churches in developing their own statement of policy.

This sample document can be supplied as a Word document. Click [here](#) to contact us or call 888.451.1929

Revised 10/1/11