



# ENDOWMENT: LUXURY OR NECESSITY?

Community Foundations are predicated on two theories: one, that a portion of the wealth created by a community should be preserved to benefit that specific community; and, two, that efficiencies in operation and economies of scale can ensure that more of these charitable dollars get to those in need and fewer are consumed by overhead. The Community Foundation of Middle Tennessee is a nonprofit organization created in 1991 that works to enhance the quality of life for residents of the 40 counties of Middle Tennessee. The Foundation provides a variety of options through which individuals, families, corporations and organizations may donate gifts of any amount to meet community needs. Guided by the Board of Directors, The Community Foundation makes grants to nonprofit organizations and programs from these funds.

## DOES MY COMMUNITY REALLY NEED AN ENDOWMENT?

Even the strongest economies go through slowdowns or downturns periodically, but the need for community programs and the services of nonprofits does not fluctuate. The unpredictability of the economy emphasizes the need for stable, predictable sources of income for community programs. Sometimes, when the needs are greatest, funds from private, philanthropic and government resources are the most difficult to raise. A “funding mix” provides financial stability.

An endowment fund can be an important part of the mix to help stabilize your community’s assets. This permanent pool of assets generates income and grows over time. Like your personal savings account, a permanent fund for your community can provide a reliable source of additional charitable income each year to ensure that effective programs will continue to be so.

## HOW EXACTLY DOES AN ENDOWMENT WORK?

An endowment is a “savings account” within which a substantial amount of money can be built from contributions both large and small. These gifts are invested – ideally in a balanced, diversified portfolio – and the proceeds are used to support specific nonprofits or projects as determined by the Fund’s community leaders. The scope of the endowment fund is defined by the people creating it, and it is structured to safeguard money raised in a given

community for grantmaking steered by a committee of residents of that community. The staff of The Community Foundation handles the “administrative detail” and frees up those critical volunteers to evaluate and assess the needs and opportunities within the community.

Generally, donors to endowments are those who want to ensure the future of their community. Most endowment gifts are “planned” and donors use such charitable vehicles as bequests, trusts, life insurance policies and retirement accounts. They use whatever makes the most sense given what assets they have and their many charitable goals. Whatever the gift, donors make it with the intention of having it prudently invested and protected for the future. When a community accepts an endowment gift, the community promises the donor that their wishes will be observed.

## PLANNED GIFTS AND ENDOWMENTS SOUND SO COMPLICATED? HOW DO WE HANDLE THEM?

These may sound complicated but they don’t have to be complicated. Getting started may seem like a daunting task, but consider the alternative. Benefactors demonstrate support for their community in many ways. One way donors can create a lasting legacy is to add a sentence to their Will leaving a portion of their estate to benefit the community where they lived, and they can be assured that their support will continue forever.

## HOW WILL WE GET THE HELP WE NEED?

- The Community Foundation of Middle Tennessee will help you create your community endowment fund and assist you in beginning your planned-giving effort. We offer you the following advantages:
- Your endowment is invested with our larger pool of assets which can lead to greater growth, greater income, and lower investment fees.
- The Community Foundation handles investment management and oversight, all accounting and financial reporting, and the fund's annual audit.
- Distribution from your endowment fund will generally be 4-6% of the total amount held in your fund. You will know in advance how much will be available for disbursement to allow for proper planning. Funds made available to you can be used to support any purposes your leadership committee sees fit. You have the flexibility to reinvest all or part of the income in years you decide not to make disbursements, and any annual earnings over the 4-6% distribution is "credited to your account" to keep it growing.
- All gifts are tax-deductible at the highest level allowed by law.

The Community Foundation of Middle Tennessee not only helps you safeguard the community endowment, but we will help you attract additional gifts.

- Your endowment receives exposure in The Foundation's newsletters, end of the year mailing, and/or annual report reaching more and perhaps different prospective donors (currently more than 25,000 individuals) than you have on your mailing list.
- In conjunction with The Foundation, you may be able to offer donors sophisticated planned giving devices such as charitable remainder trusts, charitable lead trusts, pooled income funds, etc.

- The Foundation is equipped to handle gifts of appreciated securities, appreciated real estate property, life insurance, retirement accounts, bequests, and of course, cash.
- The Foundation can help you offer lasting thanks and recognition to donors who endow the future of your community and the good works done there.

## WHEN CAN WE START?

If you represent the citizens of one of the 40 counties of Middle Tennessee which we serve, you already benefit from our efforts to build endowment. Your neighbors receive our educational mailings. Your schools and your arts programs may receive grants. You may well already have donors living anonymously in your midst. And, as our grantmaking ability increases, and funding permits, you can expect us to be making more and more financial investments in your community and its future quality of life.

Please know that **TODAY** you can make use of your Community Foundation to begin or continue to secure the future of your community. The movement that is sweeping the nation is available to you and yours.

## HOW MUCH DOES ALL THIS COST?

Our annual administrative fee for helping build and safeguard endowments is 1.25%, which covers our expenses and allows us to use a portion to support our grantmaking program. We share our services among many so that the price to each is small. If you were to do these jobs yourself or find another way to contract them out you would likely pay substantially more. The Community Foundation invests for both long-term growth and income. We use excellent, if somewhat conservative, investment management. You should expect long-term growth and a reasonable return but not wildly speculative risk or unusually high income.

## HOW DO WE GET STARTED?

To establish an endowment, all it takes is a fill-in-the-blank form document and an initial contribution of \$5,000. There are no set-up fees or legal bills.

### FOR MORE INFORMATION PLEASE CONTACT:

The Community Foundation of Middle Tennessee  
3833 Cleghorn Avenue, Suite 400, Nashville, TN 37215-2519  
(615) 321-4939 • Toll-Free (888) 540-5200 • Fax: (615) 327-2746  
Website: [www.cfmt.org](http://www.cfmt.org) • Email: [mail@cfmt.org](mailto:mail@cfmt.org)