



FLORIDA STATE UNIVERSITY FOUNDATION

Investments and Endowments FAQs

- What is the minimum gift amount required to establish an endowment?

\$25,000 is the minimum amount required to create an endowment that can participate in the investment pool.

- Can an endowment be created with funds other than endowed gifts?

Yes. The Responsible Party can identify non-endowed funds to be used to establish an endowment. The same \$25,000 minimum applies, and once placed in the pool, funds cannot be withdrawn.

- When are endowments transferred into the investment pool?

Endowments are transferred into the investment pool on the first day of the quarter following receipt of the gift.

- Upon entering the investment pool, when will a new endowment receive its first distribution?

Spending distributions and earnings allocations are made at the end of each quarter. For example, an endowed gift that is received in February will be added to the investment pool on April 1 and will receive its first distribution/allocation on June 30.

- How is the spending distribution calculated?

The Foundation uses a smoothing formula based on a rolling three-year average of the quarterly market values. Ending market values for the last 12 quarters are averaged and the result is then multiplied by the stated 4% spending rate (1% per quarter) to determine the total amount to be distributed. This amount is then allocated to participating funds based on their pro-rata share of the total investment pool.

- Can the spending distribution for an endowment ever go down from one quarter to the next?

Yes. However, while the market value reported each quarter might be quite volatile, the spending amount, which is based on a three-year moving average, tends to change very gradually.

- What happens when endowment earnings exceed the amount needed for spending and administrative fees?

Each endowment receives its proportionate share of the investment pool's total return. Earnings in excess of the spending distribution and the administrative fee are added to the balance of the endowment and are available to provide funding for the spending allowance and the administrative fee during future periods of poor market performance.

- What effect do low or negative returns have on the Foundation's endowments?

Whenever the investment return is less than the spending distributions and the administrative fee, the balance of the endowment is reduced accordingly. Due to the spending distributions and the administrative fee, the value of the endowment can go down even when investment returns are positive. The Foundation's spending policy is based on its projection that, in the long term, the average investment rate of return will equal or exceed the sum of the rates for spending, the administrative fee and inflation.
