

Scholarship Endowment FAQ

What is an endowed scholarship?

A scholarship endowment is an established investment with the purpose of issuing an annual scholarship award in perpetuity. This fund is meant to be permanent, so the money you donate is never actually spent. Instead, it is invested and investment income earned from your endowment fund is used to fund your scholarship for years to come.

Do we have any control over how the donated money is invested?

Endowed scholarship funds are set up under The Advancement Center as part of the Indianapolis Fund in the Central Indiana Community Foundation which is essentially a giant pool of endowments held by organizations all over central Indiana so that everyone's investing power can be maximized. All decisions are made by the investment managers of the entire fund. To learn more, you can check out CICF.org.

Do we have any control over how the donated money is used?

Yes. When you make the donation you will be asked to clarify specifics on how you would like your endowment to be used. When the fund is established with CICF the intention of the scholarship will be outlined in the agreement. The Advancement Center will work with you to choose the name for the scholarship, and set criteria for eligibility. For instance, you can decide whether the scholarship is need-based or merit-based and whether it is limited to students in a particular area of study. We will work with you to make sure the scholarship criteria, eligibility and selection process are in accordance with keeping the donation a tax deductible gift.

What is the maximum award of the scholarship endowment annually?

The maximum spendable amount in any year is 5% of the fund balance on December 31st of the previous year. The initial investment will determine the amount of the scholarship and that amount along with the annual administration fee will be requested from CICF by The Advancement Center annually to award the scholarship. Any portion of the spendable amount not taken is reinvested to increase the fund balance - which could make it possible in future years to increase either the amount of the award or the number of awards. For reference, a \$25,000 initial investment would yield a single \$1000 scholarship annually.

Why can't we take out more than 5% if we wanted to give a larger award one year?

Legally, only 5% of the balance may be withdrawn in any one year. The way an endowment works is a large amount of money is set aside in an investment account and then only the interest is used by the organization each year. In an ideal world where investments generate at least 5% income per year, the fund slowly grows, continuing to generate a 5% withdrawal opportunity forever. (Conversely, if organizations would be allowed to take out more than what the fund can generate in investment income each year, the fund could shrink, unfortunately not slowly, and eventually disappear). The endowments are set up with legal agreements that only allow 5% to be withdrawn each year. The agreements were written this way to give the funds the best possible chance to grow and provide income for as long as possible.

What are the fees associated with a Scholarship Endowment?

As is common practice in non-profits, the Advancement Center assesses fees for scholarship administration. The fees are assessed for the purpose of strengthening the developmental capabilities of the organization and defraying the costs to administer the scholarships. Costs include, but are not limited to, overseeing the scholarship process and management of technology associated with scholarship applications, managing the scholarship fund, and efficiently disbursing funds in accordance with donor intent and varied bursar office requirements. The Advancement Center administration fee associated with endowed scholarships is \$300 for the initial set up of the fund, and then \$100 each time the scholarship is distributed. When funds are requested from CICF annually, \$100 will be included in that requested distribution to cover the fee. There are no fees associated with gifts made to the fund once the fund is established.

What is the minimum initial investment needed to establish a scholarship endowment?

The minimum investment required is \$25,000.

Can I set up an endowed scholarship with less than \$25,000?

No. For the longterm integrity of the scholarship we require this minimum threshold. We do have other options we would be happy to discuss such as investing in an established scholarship endowment or doing a one time direct donation scholarship.

Still have questions?

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