



2025 Spendable FAQ's

The Alaska Community Foundation is committed to stewarding the funds entrusted to us and is an ardent advocate for building endowed funds through sound investment strategies and responsible distributions. Our investment strategy has three major objectives:

- 1) Capital Preservation
- 2) Inflation Protection
- 3) Sustainable grantmaking to support charitable causes throughout our communities today and long into the future

How are endowed funds invested?

The majority of ACF's charitable assets are pooled with other funds and invested by both active managers and passive index funds to add value while keeping the costs low due to ACF's economies of scale. For more information, go to our website and see ACF's [Investment Policy Statement](#).

What is the role of the ACF Investment Committee?

The Investment Committee is charged by ACF's Board of Directors to oversee the investment management of contributions. The Committee is made up of local community leaders with strong investment expertise who volunteer their time and knowledge. The Committee is responsible for approving the investment strategy (Investment Policy Statement or IPS), asset allocation between equities, fixed income, and other investments, selecting investment advisors and managers, and monitoring investment performance. Together with our independent investment consultant, the Committee meets quarterly to review the results and evaluate the investment managers to ensure that they are adhering to ACF's IPS.

How is the spendable rate calculated?

The prudent spending policy of ACF is designed to allow funds access to distributions that capitalize on good investment years while protecting the value of the contributions to the endowment in low or negative return markets. The ACF Board of Directors sets the distribution rate annually, considering several factors including ACF portfolio returns, inflation, administrative expenses, economic conditions, and the nonprofit environment in Alaska. That distribution rate (or spendable percentage) is then applied to an average of sixteen (16) quarters of fund balances to smooth out fluctuations in the market,

contributions, and distributions to the extent possible. For more information, go to our website and see [Spendable Rate Calculation](#).

ACF's portfolio returned the following, compared to two benchmarks:

	YTD 9/30/24	1 year	3 years	5 years	10 years
ACF Portfolio	12.71%	21.40%	5.55%	8.74%	6.60%
Balanced Index	12.80%	23.08%	4.28%	7.53%	6.38%
Investment Objectives	11.68%	20.96%	4.06%	7.07%	5.58%

Endowment Spending: ACF's Investment Committee and Board of Directors are charged with allowing responsible spending from endowments while ensuring the long-term viability and sustainability of endowment funds held at ACF. ACF analyzes historical portfolio returns, inflation, administrative expenses, general economic conditions, and other factors each year in determining the spending percentage for endowments. After extensive analysis of the above factors, ACF set the 2025 spendable rate at 4.25%.

To ensure the long-term viability and sustainability of an endowment fund, each fund is analyzed to determine if spending can occur at the spendable rate set by ACF's Board (4.25% for the 2025 year). ACF's responsibility is to ensure that a fund's principal (lifetime contributions to the fund) is protected in perpetuity, along with inflation-proofing that principal to ensure tomorrow's dollars are similar in nature to today's dollars. Each fund is tested to ensure that there is sufficient "headroom" (historical unspent earnings) to allow for the spendable rate calculation each year. If a fund doesn't have sufficient "headroom," then the spendable amount may be reduced or zeroed out for a particular year.

What can I do to ensure the sustainability of my fund?

Fundholders should consider the long-term when managing their endowment. In the early years of an endowment, it is particularly important to allow for *time and investment returns* to build the fund balance and "headroom" to weather downturns in the market. Fundholders should balance the need for distributions from their fund with preserving and building a portion of the return to increase their endowment for the future.

Am I required to grant (spend) the total spendable?

No, unlike private foundations, community foundations do not have a minimum required distribution rate. In fact, to help ensure the permanence of their endowment, ACF recommends that fundholders consider not spending their total spendable amount. This precaution is especially true for funds less than ten years old.

What happens to unspent spendable amounts?

Unspent spendable amounts are kept in your fund and are considered available to spend at any time. Should you underspend any particular year's allotment, these unspent amounts are accumulated in a spendable "bucket." This "bucket" can accumulate over the years. Any spendable for 2025 would be added to any accumulated spendable from previous years. Spendable amounts are considered part of the fund balance and are invested just the same as the principal.

Final Thoughts

ACF's investment portfolio returns reflect the general upward trend rebounding from 2022's difficult year. 2023's S&P500 returned over 24%, while 2024's S&P500 has returned over 26% so far. These outsized returns are reflected in the spendable percentage ACF's Board of Directors allowed for 2025 (4.25%). The markets have stabilized since the inflationary pressures of 2022, but continued price elevation, the Federal Reserve driving interest rates, government spending, and global conflicts as well as political issues continue to affect the markets. Markets are looking at stock and bond valuations with a more normalized interest rate perspective along with these global forces. However, the markets won't always be positive, which means that a diversified, long-term approach is prudent management of your endowment. ACF's investment policy dictates a diversified, global perspective, which over the long run should produce returns that allow endowments to continue to prosper and serve Alaska nonprofits and causes. As your partner in managing your endowment, ACF will continue to monitor your fund to protect the principal (contributions). However, ACF would always recommend saving some of your spendable amount for the inevitable downturn in the markets.

I still have questions. How can I learn more?

ACF is hosting an information session via Zoom on January 29 to share information on the topic of the 2025 Spendable Rate and ACF Investment Policy. If you would like to attend, please click [here](#) to learn more and register.



LEARN MORE TODAY

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