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SEI Releases Research on Nonprofit Organizations’ Spending Policies

OAKS, Pa., Dec. 14, 2016 (GLOBE NEWSWIRE) -- SEI (NASDAQ:SEIC) today released survey research that examines the current development and implementation of spending policies for foundations and endowments. The paper, which is an update of a similar study done in 2013, reveals that 63 percent (compared to 79 percent in 2013) of poll participants use a moving average formula with an average spending rate of 4.75 percent (4.8 percent in 2013) at year-end 2015. Additionally, the overall average return objective remained stable at 6.9 percent, which was the same as the 2013 survey, although the range of expected returns varied greatly.

“As uncertainty around future investment returns persists, it’s critical for organizations to identify a sustainable spending strategy,” said Mary Jane Bobyock, Managing Director of the Nonprofit Advisory Team, SEI Institutional Group. “By working with investment partners, organizations can integrate their specific needs to build out portfolios and monitor progress on an ongoing basis. Investment committees should invest significant time and focus on building a strategy that meets the current spending needs while protecting the organization’s assets over time.”

A nonprofit institution’s investment portfolio and spending approach should be unique to the goals, financials, and risk profile of the organization, eliminating a “one size fits all” approach. The paper provides techniques for organizations to use when building an effective spending strategy. For instance, organizations should consider evaluating historical spending in the context of historical returns, but also project future return and spending expectations against potential outcomes. By using this approach, organizations can also test different scenarios with extreme drops in markets to foresee the potential spending results in coming years, as well as the overall impact to the asset pool’s long-term health. Immunization of a portion of a portfolio, another strategy to consider, can provide protection against losses for the immunized portion in the short-term while segregating assets used for near term spending.

The poll, conducted earlier this year by The SEI Nonprofit Management Research Panel, is the fourth in a four-part research series. The survey was completed by 253 participants, representing nonprofits with endowments ranging from $25 million to more than $5 billion. None of the poll respondents are current SEI clients.

To request a copy of the white paper, please visit seic.com/Spending2016.

About SEI's Institutional Group
SEI's Institutional Group is one of the first and largest global providers of outsourced investment management services. The company delivers integrated retirement, healthcare and nonprofit solutions to more than 475 clients in 13 countries. Our solutions are designed to help clients meet financial objectives, reduce business risk and fulfill their due diligence requirements through implemented strategies for the management of defined benefit plans, defined contribution plans, endowments, foundations and board designated funds. For more information visit: seic.com/institutions.

About SEI
SEI (NASDAQ:SEIC) is a leading global provider of investment processing, investment management, and investment operations solutions that help corporations, financial institutions, financial advisors, and ultra-high-net-worth families create and manage wealth. As of September 30, 2016, through its subsidiaries and partnerships in which the company has a significant interest, SEI manages or administers $751 billion in mutual fund and pooled or separately managed assets, including $281 billion in assets under management and $470 billion in client assets under administration. For more information, visit seic.com.

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