fig. 2

Example of a Family Foundation Spending Policy

INTRODUCTION:

The foundation is adopting the following spending policy in order to:

- Provide a more predictable and stable stream of revenue for its grantmaking and other activities; and
- Maintain the purchasing power of this revenue stream and the foundation's assets over the long term.

To achieve these goals, over a multiple-year period the trustees will take actions that will result in total spending equaling no more than 5.3 percent of a 3-year average of the market values of the foundation's assets at the beginning of the fourth quarter.

SPENDING RULE:

In calendar year 2002, the foundation will set its annual spending at the 2001 spending level, plus funding needed for one-time capital expenses of the __________ project.

In calendar year 2003, spending will be set at the 2002 spending level or 5.3 percent of the average of the market values of the foundation's assets on October 1, 2001, and October 1, 2002, whichever is greater.

In subsequent calendar years, spending will be set at the previous year's spending level or 5.3 percent of the average of the market value of the foundation's assets at the beginning of the fourth quarters of the preceding 3 calendar years, whichever is greater. In no case will spending exceed 6 percent of the previous year's market value (as determined as of the beginning of the previous year's fourth quarter).

The trustees will undertake a formal review of the spending rule at least once every 5 years. Should future market values either increase or decrease dramatically, the trustees will reconsider the spending rule, and either adjust spending or make changes in the spending rule as appropriate, keeping in mind the above stated goals.