

## ENDOWMENT OVERVIEW

A scholarship endowment is a financial fund set up by an organization, institution, or individual to provide ongoing financial support for scholarships or other educational purposes.

The required minimum for an Individual, organization or institution to establish a Scholarship Endowment at Southwestern Adventist University (SWAU) is \$25,000 and SWAU allows the donor to fully fund the endowment within three years. After the allotted time, if endowment has been fully funded, year 4 will be the year that the Yield will be disbursed to student(s). However, if endowment has not met the required minimum funding amount, the balance shall then be transferred to the Legacy Endowment fund which still assists our student body through scholarships.

**The mechanics of a scholarship endowment with a 4% annual yield and an 80-20 distribution can be explained as follows:**

- **Initial Funding**

To establish a scholarship endowment at Southwestern Adventist University, an initial sum of \$25,000 is donated or invested. This initial funding will be used to generate income that can support scholarships or educational initiatives.

- **Annual Yield**

The 4% annual yield refers to the expected annual return on the endowment's investments. This yield is typically generated through investments in a diversified portfolio of assets, such as stocks, bonds, real estate, or other income-generating investments.

- **Distribution Ratio**

The "80-20 distribution" means that a portion of the annual yield generated by the endowment will be distributed for scholarships or educational purposes, while the remaining portion will be reinvested to help the endowment grow over time.

- **80% Distribution**

In this case, 80% of the annual yield will be distributed for scholarships or educational programs. This means that 80% of the 4% annual yield (or 3.2% of the endowment's total value) will be available for scholarships.

- **20% Reinvestment**

The remaining 20% of the annual yield (or 0.8% of the endowment's total value) will be reinvested back into the endowment's principal to help it maintain its value and potentially grow over time.

- **Scholarship Allocation**

The 3.2% of the endowment's total value that is distributed annually for scholarships can be used to fund scholarships for eligible students. The scholarship allocation can be managed and disbursed according to the rules and guidelines established by the donor and the processed is managed by the SWAU Scholarship Committee. organization or institution managing the endowment.

- **Endowment Growth**

By reinvesting a portion of the annual yield (in this case, 20%), the endowment can continue to grow over time, helping it keep pace with inflation and potentially increasing the amount of funding available for scholarships in the future.

It's important to note that the specific mechanics of a scholarship endowment, including the investment strategy and distribution percentages, can vary depending on the organization or individual managing the endowment. Additionally, the endowment's governing documents and policies will outline how scholarships are awarded and the criteria for eligibility.

Overall, a scholarship endowment with a 4% annual yield and an 80-20 distribution aims to provide sustainable, long-term financial support for educational initiatives while also allowing the endowment to grow and adapt to changing needs over time.

