

## 6 Compelling Reasons to Build an Endowment

Most non-profit organizations do not have large endowments. In an age of increasing volatility in funding sources, endowments are sorely needed by organizations large and small. Here are six reasons why you need to build endowment for your non-profit:

### 1. It is an excellent form of stewardship.

Every dollar given to endowment not only remains with the organization, it grows over the years. The non-profit keeps the original gift and uses it to build more gifts in perpetuity. That is excellent stewardship.

### 2. It attracts gifts that would otherwise be lost.

Not everyone will give to endowment, but many will. People who have accumulated assets over a lifetime often come to the point where they want to establish a legacy. If your non-profit offers such legacy opportunities through endowments, you *may get the gift*. If you don't promote endowment building, you *will lose the gift* to someone else. It's pretty simple.

### 3. It increases the financial stability of an organization.

Organizations with growing endowments tend to have good financials in operations, too. There is increased confidence in the organization. The endowment funds are seen as reliable financial anchors. They can even be used as influence in gathering favorable lending rates.

### 4. It provides predictable support from year to year.

Most of the time, it is possible to estimate what earnings will be available from endowment from year to year. This predictable support allows non-profits to weather financial downturns.

### 5. It funds opportunities the regular operating or capital budget won't fund.

Every non-profit could use more money to provide more services. Likewise, every non-profit has a limited amount of money available for things like payroll, building maintenance, insurance, light bills, and new equipment. Endowment earnings can be used to fill in gaps an operating or capital budget can't fulfill.

### 6. It enhances the organization's credibility as a viable, long-term concern.

*Endowments grow because people believe in the organization.* The more endowment funds grow, the more positive the perception by people that the non-profit is on the right track. This confidence results in better overall fundraising over the long-term. Obviously, an organization with a growing endowment is an

organization that plans to be around a long time.

It pays to build an endowment—literally and otherwise.

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