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Spending Policies and Practices

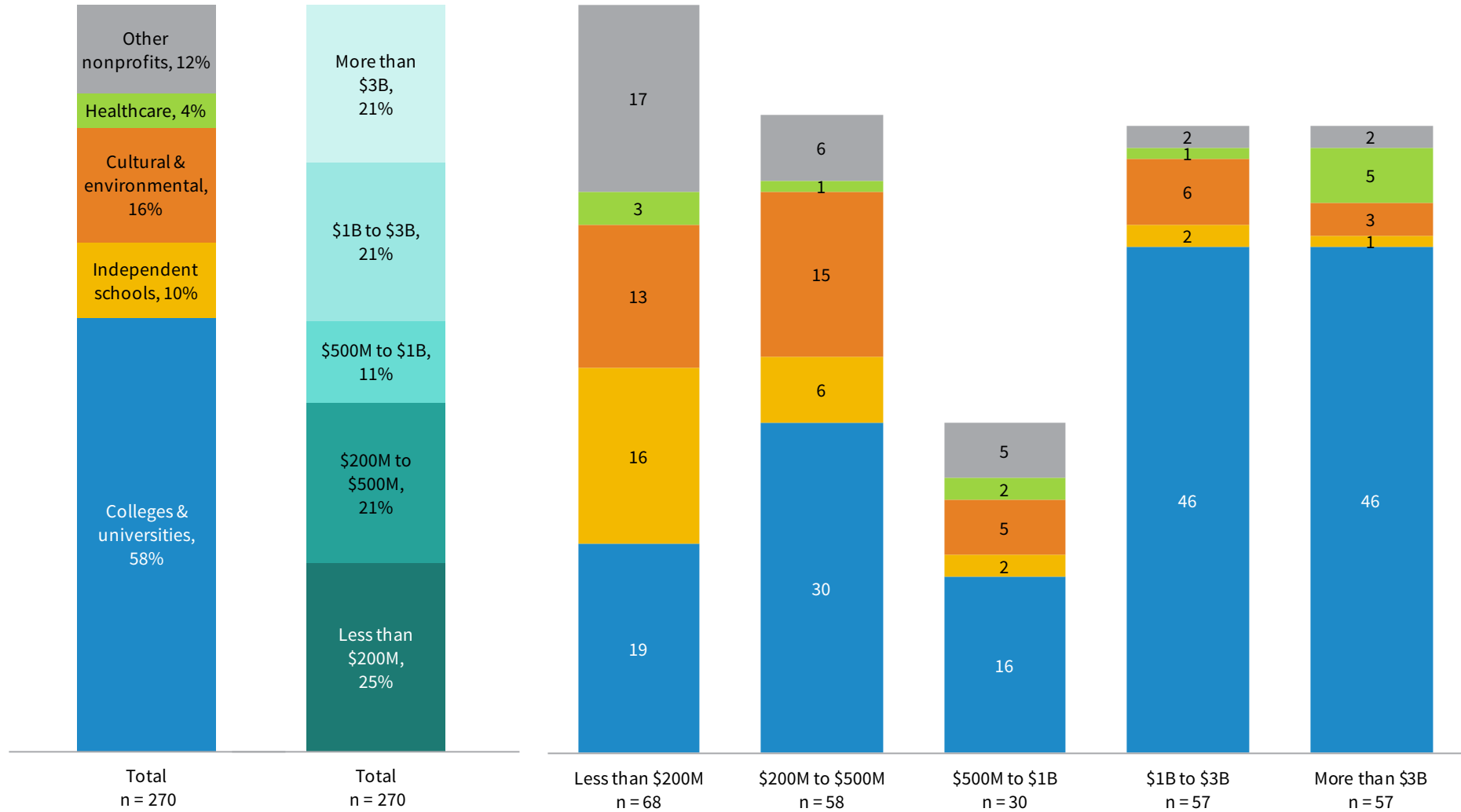
Fiscal Year 2025

May 2026

Profile of participating institutions

Breakdown of respondents by institution type and asset size

2025 • n = 270



Source: Spending policy data collected by Cambridge Associates LLC.

Note: Foundations were excluded from the survey group, as their spending is influenced by certain government-mandated spending requirements.

Spending policy types

Institutions in this study use three primary spending rule types.

- **Market value–based** rules, the most common among participants, link the spending amount directly to the endowment’s market value.
- **Constant growth** rules increase spending each year by a defined growth factor.
- **Hybrid** policies combine the elements of both market value–based and constant growth rule types.

Percentage of respondents
2025 • n = 270



Source: Spending policy data collected by Cambridge Associates LLC.

Spending policy types by asset size and institution type

Number and percentage of respondents

2025 • n = 270

By asset size	Market value-based	Constant growth	Hybrid	Other
Less than \$200M	93%	—	4%	3%
<i>n</i>	63	0	3	2
\$200M to \$500M	84%	3%	10%	2%
<i>n</i>	49	2	6	1
\$500M to \$1B	80%	3%	13%	3%
<i>n</i>	24	1	4	1
\$1B to \$3B	51%	16%	26%	7%
<i>n</i>	29	9	15	4
More than \$3B	65%	11%	21%	4%
<i>n</i>	37	6	12	2

By institution type	Market value-based	Constant growth	Hybrid	Other
Colleges & universities	71%	11%	17%	1%
<i>n</i>	112	17	26	2
Independent schools	78%	4%	7%	11%
<i>n</i>	21	1	2	3
Cultural & environmental	74%	—	21%	5%
<i>n</i>	31	0	9	2
Healthcare	75%	—	8%	17%
<i>n</i>	9	0	1	2
Other nonprofits	91%	—	6%	3%
<i>n</i>	29	0	2	1

Source: Spending policy data collected by Cambridge Associates LLC.

Notes: Market value-based spending policies base spending on a prespecified percentage of a moving average of market values. Constant growth policies increase prior year's spending by a measure of inflation and/or prespecified percentage. Hybrid policies are those that incorporate a weighted average of a constant growth rule and a percentage of market value rule. Other policies are those that cannot be classified as market value-based, constant growth, or hybrid policies.

Market value–based policies: Target spending rates

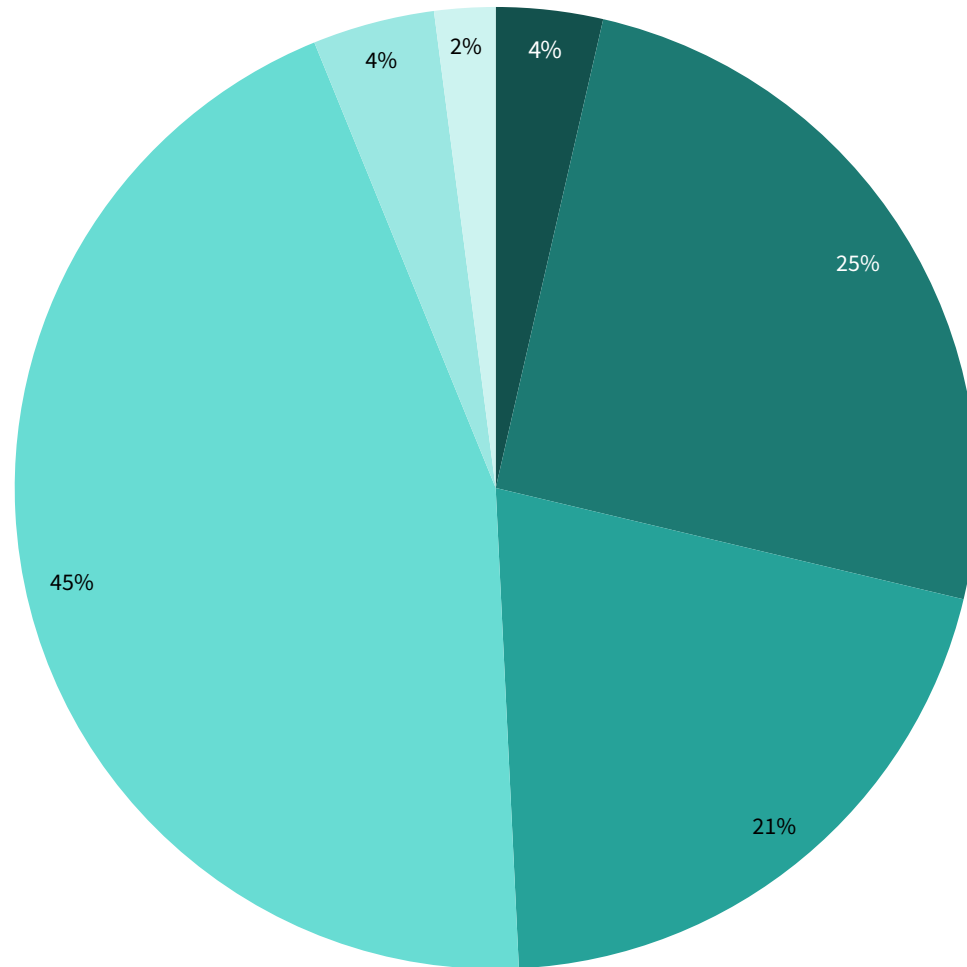
A market value–based rule dictates spending a percentage of the endowment’s market value, which is most often represented by a moving average over a smoothing period.

By linking the spending amount directly to the endowment’s market value, this rule type usually produces the most dramatic changes in spending when investment conditions shift. The market value rule prioritizes preserving purchasing power in periods when the endowment’s market value declines and increases spending during times of asset growth. The primary levers of this approach are the target spending rate and the date or smoothing period used to measure the market value. Some institutions also use a cap and floor to limit changes in annual spending during volatile market periods.

Target spending rates

2025 • n = 195

■ Less than 4.00% ■ 4.00%–4.49% ■ 4.50%–4.99% ■ 5.00% ■ 5.01%–5.99% ■ 6.00% and above



Source: Spending policy data collected by Cambridge Associates LLC.

Market value–based policies: Target spending rates by asset size and institution type

Number and percentage of respondents

2025 • n = 195

By asset size	Less than 4.00%	4.00%–4.49%	4.50%–4.99%	5.00%	5.01%–5.99%	6.00% and above
Less than \$200M	3%	28%	18%	44%	3%	3%
<i>n</i>	2	17	11	27	2	2
\$200M–\$500M	6%	17%	26%	40%	6%	4%
<i>n</i>	3	8	12	19	3	2
\$500M–\$1B	4%	22%	17%	52%	4%	—
<i>n</i>	1	5	4	12	1	0
\$1B–\$3B	—	28%	24%	45%	3%	—
<i>n</i>	0	8	7	13	1	0
More than \$3B	3%	31%	17%	46%	3%	—
<i>n</i>	1	11	6	16	1	0

By institution type	Less than 4.00%	4.00%–4.49%	4.50%–4.99%	5.00%	5.01%–5.99%	6.00% and above
Colleges & universities	2%	29%	20%	41%	6%	3%
<i>n</i>	2	31	21	44	6	3
Independent schools	5%	32%	37%	26%	—	—
<i>n</i>	1	6	7	5	0	0
Cultural & environmental	—	10%	19%	61%	6%	3%
<i>n</i>	0	3	6	19	2	1
Healthcare	—	44%	11%	44%	—	—
<i>n</i>	0	4	1	4	0	0
Other nonprofits	14%	17%	17%	52%	—	—
<i>n</i>	4	5	5	15	0	0

Source: Spending policy data collected by Cambridge Associates LLC.

Notes: Market value–based spending policies base spending on a prespecified percentage of a moving average of market values. If a range was provided, the target spending rate was calculated using the midpoint of the range.

Market value–based policies: Smoothing periods

Smoothing periods: Length of period and unit of time measurement

2025 • n = 197

	Monthly	Quarterly	Annually
Shorter Longer	12 months (n = 1)	4 quarters (n = 1)	Single point in time (n = 7)
	36 months (n = 11)	12 quarters (n = 97)	3 years (n = 23)
		13 quarters (n = 5)	
		16 quarters (n = 3)	4 years (n = 2)
	60 months (n = 6)	20 quarters (n = 19)	5 years (n = 17)
		21 quarters (n = 1)	
		24 quarters (n = 1)	
		28 quarters (n = 2)	7 years (n = 1)

Source: Spending policy data collected by Cambridge Associates LLC.
 Note: The color shadings in the table are darkest for the measurement periods that were cited by the greatest number (n =) of institutions.

Market value–based policies: Spending policy collars

Market value–based spending policies

Collars (n = 7)	Caps only (n = 6)	Floors only (n = 1)
– 100%–105% of prior year's payout	– 105% of prior year's payout (n = 2)	– 100% of prior year's payout
– 102%–105% of prior year's payout	– 110% of prior year's payout	
– 90%–110% of prior year's payout	– 4.0% of four-quarter average MV	
– 3.0%–5.0% of current MV	– 5.3% of current MV	
– 3.0%–6.0% of current MV	– 6.0% of current MV	
– 3.5%–6.0% of current MV		
– 4.0%–6.0% of current MV		

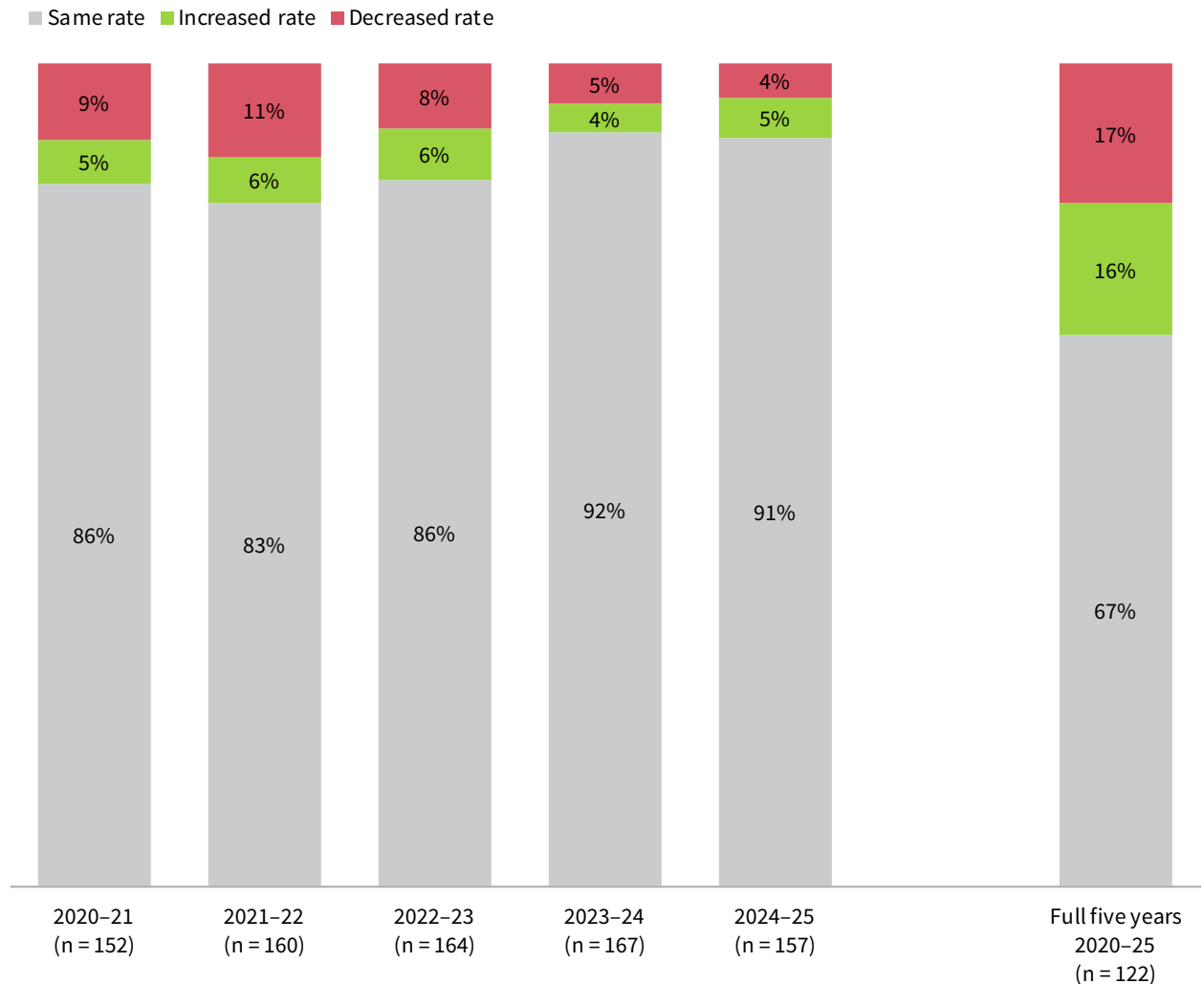
Source: Spending policy data collected by Cambridge Associates LLC.

Market value–based policies: Changes to target spending rates over time

In fiscal year 2025, 91% of institutions used the same target spending rate as reported in the previous year.

This is consistent with the trend we have observed over the last five years, where most institutions made no change in any given year. Over the full five-year period, two-thirds of respondents maintained a consistent target spending rate.

Institutions changing target rates in market value–based spending policies
2025



Source: Spending policy data collected by Cambridge Associates LLC.

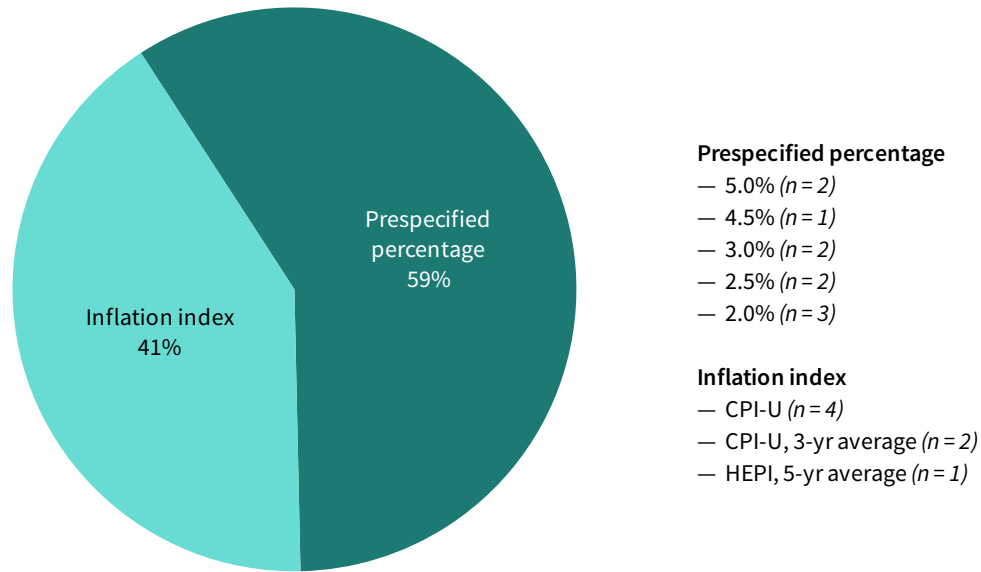
Notes: Market value–based spending policies base spending on a prespecified percentage of a moving average of market values. Chart reflects data for the institutions using a market value–based spending policy that provided the target rate used in their spending calculation. If a range was provided, the target spending rate was calculated using the midpoint of the range.

Constant growth policies

A constant growth spending policy increases the prior year's spending amount by a measure of inflation or a prespecified growth rate.

The strict application of a constant growth rule produces predictable spending but has notable shortcomings during extreme market environments. The constant growth rule is at risk of increasing spending during prolonged periods of low or negative investment returns, further impairing an already dwindling market value. Conversely, in a high-return environment, this type of policy can be perceived as significantly underspending the endowment's purchasing power. In practice, institutions mitigate these shortcomings by imposing a spending cap and floor linked to a percentage of the endowment's market value or a moving average of market values.

Growth rates used in constant growth spending policy calculation
2025 • n = 17



Prespecified percentage

- 5.0% (n = 2)
- 4.5% (n = 1)
- 3.0% (n = 2)
- 2.5% (n = 2)
- 2.0% (n = 3)

Inflation index

- CPI-U (n = 4)
- CPI-U, 3-yr average (n = 2)
- HEPI, 5-yr average (n = 1)

Collars (n = 17)

– 4.5%–6.5% of four-quarter average MV	– 4.0%–6.0% of 12-quarter average MV (n=2)
– 4.5%–5.5% of three-year average MV	– 4.0%–5.0% of 12-quarter average MV
– 4.5%–5.5% of 20-quarter average MV (n=2)	– 4.0%–4.9% of 21-quarter average MV
– 4.5%–5.5% of 12-quarter average MV	– 3.9%–4.9% of 12-quarter average MV
– Floor: 4.5% of eight-quarter average MV; Cap: 5.5% of four-quarter average MV	– 3.5%–5.5% of three-year average MV
– 4.0%–7.0% of beginning year MV	– 3.0%–5.0% of MV one-year prior
– 4.0%–6.5% of three-year average MV	– 3.0%–4.4% of 12-quarter average MV
– 4.0%–6.0% of three-year average MV	

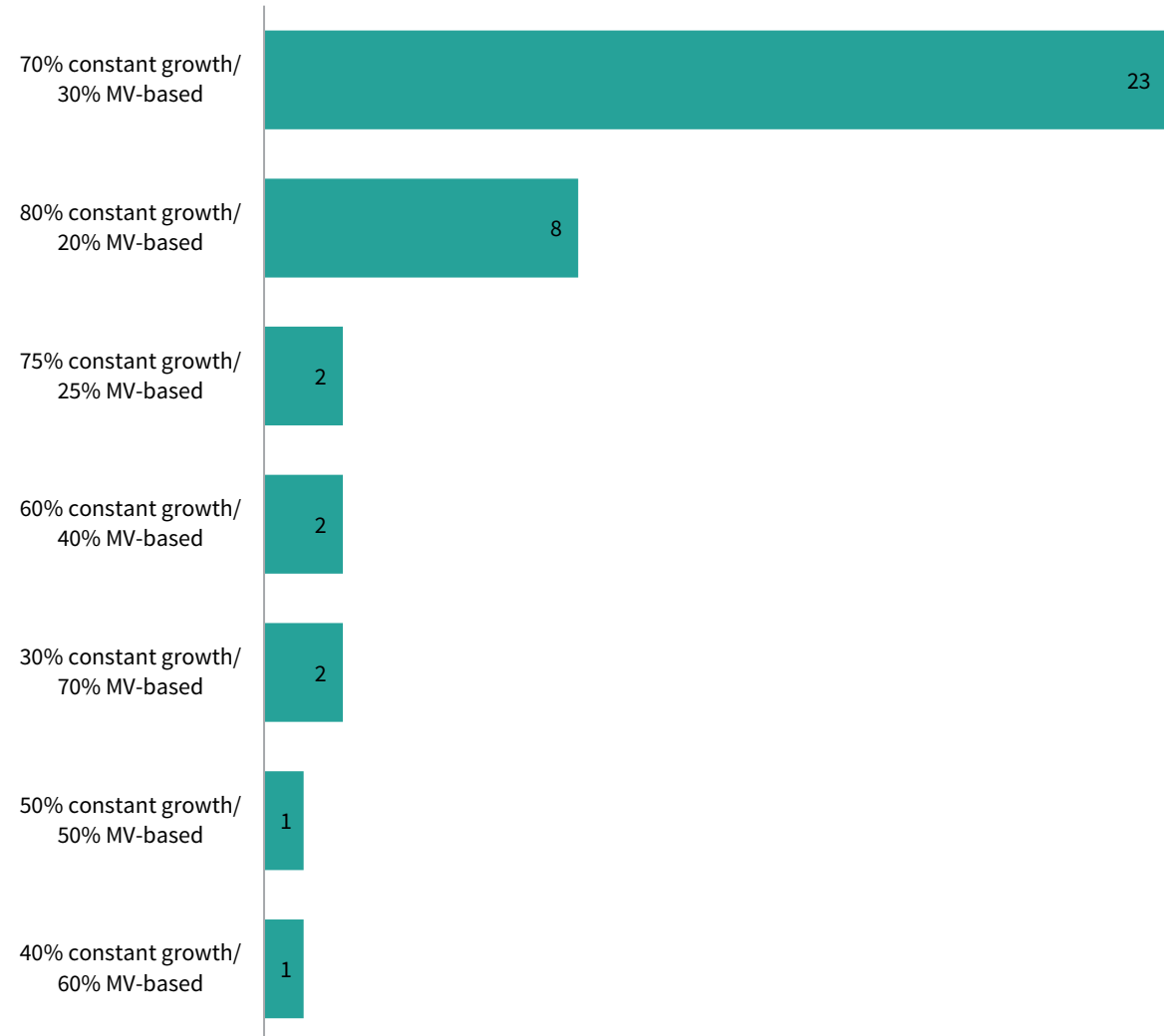
Source: Spending policy data collected by Cambridge Associates LLC.

Hybrid policies

A hybrid spending policy blends the more predictable spending element of a constant growth policy with the asset preservation principle of a market value-based policy.

It allows an institution to set the appropriate mix that best meets its needs. The rule is expressed as a weighted average of a constant growth rule and a percentage-of-market value (or average market value over a period of time) rule. The larger the weighting to the market value component, the more impact that a change in the endowment's market value will have on the annual spending distribution. Most institutions apply the larger weighting to the constant growth component, emphasizing more predictable spending.

Hybrid spending policies: Weightings of constant growth and market value-based components
2025 • n = 39

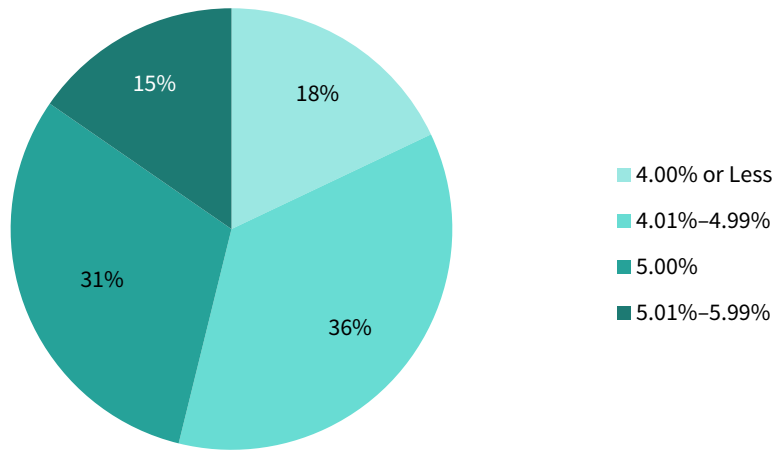


Source: Spending policy data collected by Cambridge Associates LLC.

Hybrid policies (continued)

Target rates used in market value component

2025 • n = 39



Smoothing periods used in market value component

2025 • n = 36

	Monthly	Quarterly	Annually
Shorter	12 months (n = 2)	4 quarters (n = 6)	Single point in time (n = 12)
Longer	36 months (n = 1)	12 quarters (n = 10)	3 years (n = 3)
		20 quarters (n = 2)	

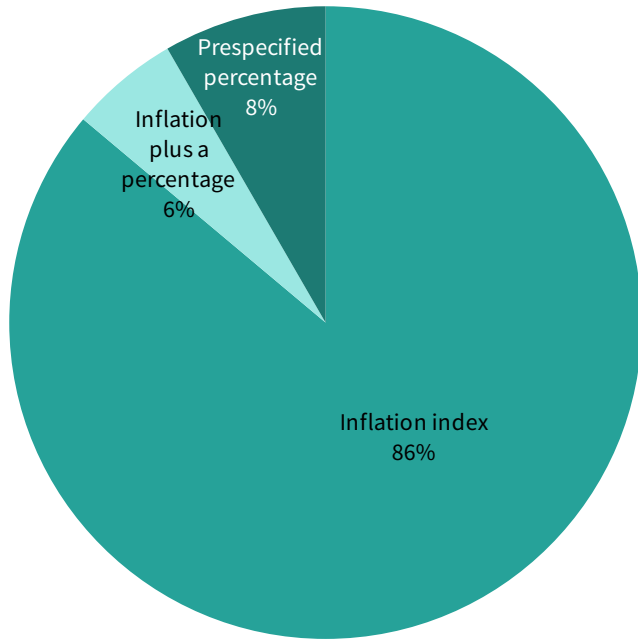
Source: Spending policy data collected by Cambridge Associates LLC.

Note: The color shadings in the smoothing period table are darkest for the measurement periods that were cited by the greatest number (n =) of institutions.

Hybrid policies (continued)

Growth measures used in constant growth component

2025 • n = 37



Inflation index

- CPI-U (n = 18)
- Higher Education Price Index (n = 13)

Inflation index plus a percentage

- CPI-U + 1.0% (n = 1)
- CPI-U + 1.5% (n = 1)

Prespecified percentage

- 3.0% (n = 1)
- 2.0% (n = 2)

Collars (n = 11)

– 3.0%–5.0% of current MV	– 4.5%–6.0%; time period not specified
– 3.0%–6.0% of MV one-year prior	– 4.75%–5.75%; time period not specified
– 3.5%–4.5%; time period not specified	
– 3.75%–5.75% of prior year beginning MV	
– 4.0%–5.0%; time period not specified	
– 4.0%–6.0% of current MV	
– 4.0%–6.0% of MV one-year prior	
– 4.0%–6.25%; time period not specified	
– 4.25%–5.75% of MV one-year prior	
	Cap only (n = 3)
	– 4.9%, time period not specified (n=2)
	– 5.0% of 12-quarter average MV

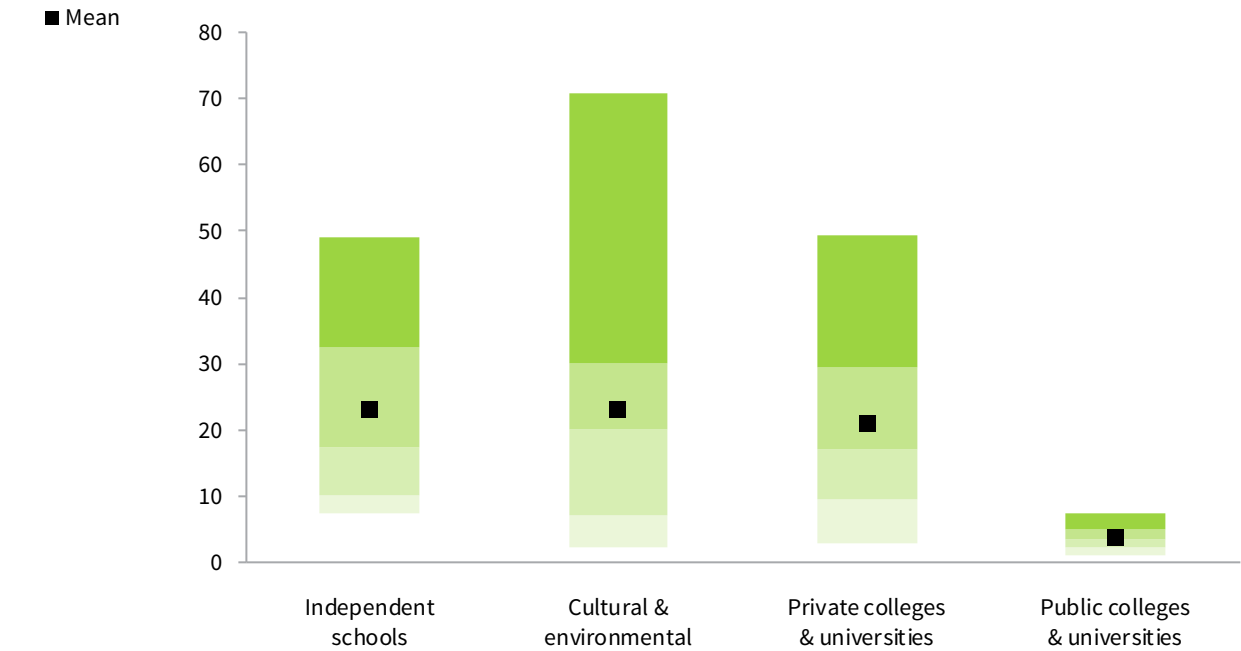
Source: Spending policy data collected by Cambridge Associates LLC.

Support of operations by institution type

Since few nonprofit institutions generate enough revenue from their core operations to break even on their annual operating budgets, many rely on their long-term investment portfolio (LTIP) to provide additional financial support.

The percentage of the operating budget funded by the LTIP varies considerably among the institutions in this study. Spending distributions supported 1% or less of the operating budget for some institutions but served as the single largest source of revenue for others.

LTIP support of operations as a percentage of total operating expenses
2025



5th percentile	49.1	70.8	49.3	7.5
25th percentile	32.4	30.1	29.4	5.0
Median	17.5	20.0	17.1	3.5
75th percentile	10.0	7.3	9.6	2.4
95th percentile	7.3	2.4	2.9	1.1
Mean	23.2	23.2	20.9	3.8
<i>n</i>	8	25	92	15

Source: Spending policy data collected by Cambridge Associates LLC.

Notes: LTIP support of operations is the proportion of the operating budget that is funded from LTIP payout. The graph and table do not include data for the top and bottom 5th percentile of institutions.

Support of operations by spending rule type

The median LTIP support ratios are highest for the subgroups of participants that have constant growth or hybrid policies.

The more predictable stream of spending dollars presumably makes these rule types appealing to institutions that rely on the LTIP to fund a substantial portion of the operating budget.

LTIP support of operations as a percentage of total operating expenses
2025



	Market value-based	Constant growth	Hybrid
5th percentile	46.6	50.6	69.1
25th percentile	20.1	39.2	35.9
Median	10.8	24.0	29.0
75th percentile	5.2	14.7	21.0
95th percentile	2.2	6.8	5.9
Mean	15.5	26.5	31.5
<i>n</i>	95	12	29

Source: Spending policy data collected by Cambridge Associates LLC.

Notes: LTIP support of operations is the proportion of the operating budget that is funded from LTIP payout. The graph and table do not include data for the top and bottom 5th percentile of institutions.

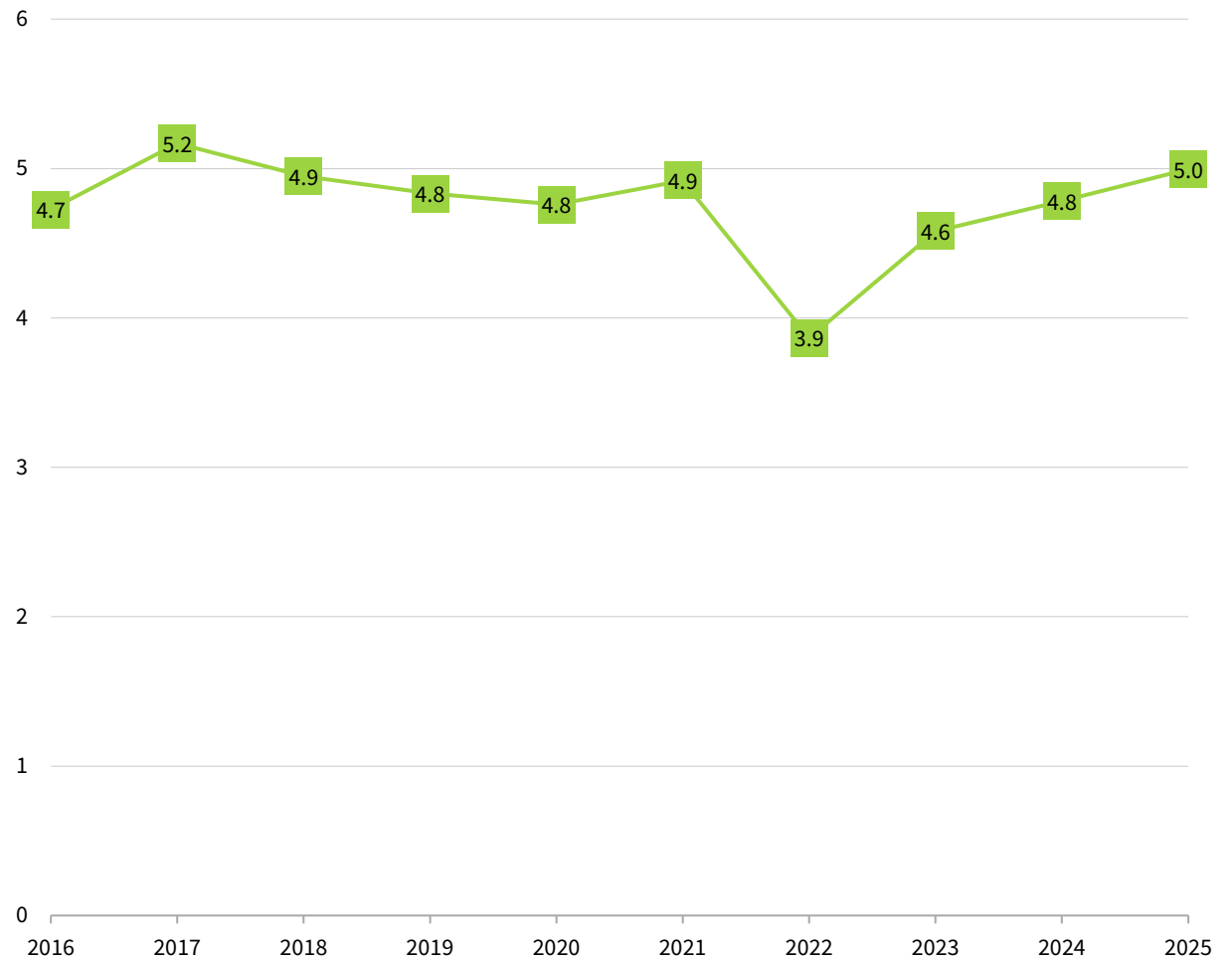
Effective spending rate trends

The effective spending rate is calculated as the total annual spending distribution as a percentage of the beginning market value of the LTIP.

The effective spending rate will increase when the dollar amount of spending increases at a higher growth rate compared to the portfolio value. This was the case in 2025, as the dollar amount of spending increased by an average of 11% for peers year-over-year, while the beginning portfolio value increased by 8%.

Mean effective spending rate

2016–25 • Percent (%) • n = 64



Source: Spending policy data collected by Cambridge Associates LLC.

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