Managing Your Investment

The money you give to support Virginia Tech’s academic future is managed to pay for the programs you support as well as to keep the endowment’s growth ahead of inflation. The intent is that the principal of the original gift be used to provide a perpetual stream of financial support. This is done through a carefully planned asset allocation program that includes oversight by the Virginia Tech Foundation’s Investment Committee.

The overriding principle of the foundation’s consolidated endowment program is simple: Funds should be managed so that a gift today will fund your objective in perpetuity. If your goal is to fund a professorship, the money is managed to maintain the real value of the endowment and keep pace with inflation.

Each gift entering the consolidated endowment fund purchases units analogous to shares in a mutual fund and unit payouts are made quarterly. When you give the university $1,000,000 to endow a professorship, your gift purchases a number of units in the Endowment Common Fund, based on the current market value of the endowment. Payout is based on a fixed payout rate per unit, adjusted yearly to reflect the changes in the Consumer Price Index from the year before. For example, if the current value of the endowment is $28 per unit, the $1,000,000 gift would purchase approximately 35,710 units. If the annual payout rate is $1.516 per unit, the payout available for spending on this gift would be approximately $54,140.

Historical investment real-return data is used to determine the upper and lower boundaries for total spending. The foundation’s policy increases endowment support at a modest, yet steady pace to allow recipients to better project the funding that will be available to support the program from year to year. Payout rates are decided by calculating a three-year average to determine where spending falls between the upper and lower boundaries. Utilizing this moving average protects the beneficiaries of the university’s endowments from dramatic swings in value from year to year.