

WHAT TO EXPECT WHEN YOU'RE EXPECTING

SPENDING POLICY, RISK, AND
INSTITUTIONAL RESOLVE



There's a quiet anxiety circulating among institutional investors, especially in the education space. As enrollment pressures mount, budgets strain, and short-term obligations outpace tuition-driven revenues, many colleges and universities are being asked a difficult question:

Can you raise your endowment spending rate, just a little, to ease the immediate burden?

On the surface, it's a compassionate and reasonable ask. Spend a bit more now, help bridge the gap, keep programs running and staff supported. But beneath it lies a deeper risk, a risk able to quietly erode the very purpose of the endowment itself: perpetuity.

At Crewcial, we understand this tension because our clients sit with it daily; we see it across many foundations as well, where short-term pressures can just as easily come into conflict with long-term vision. We work with various institutions navigating the fault line between meeting the needs of today and preserving the mission beyond tomorrow. In that gap, your spending policy is not just a financial tool. It assumes the weight of a moral philosophy.



ONE IN SEVEN DOLLARS...

ON AVERAGE, 15.3% OF A UNIVERSITY'S OPERATING BUDGET COMES FROM ENDOWMENT DISTRIBUTIONS.

WHERE DO THE DOLLARS GO?



Source: 2024 NACUBO-TIAA Study of Endowments

The Hidden Cost of Spending Up

Let's consider the title of this essay. It's meant to be cheeky, yes, but to an end. Institutions that consider higher spending rates are, in effect, expecting: expecting stronger markets, expecting sustained donor generosity, expecting enrollment or economic recovery to arrive just in time to offset today's extra draw.

But expectations aren't capital, and hope isn't a strategy.

Spending 5.5%, 6%, or more, even "just for a year," is rarely temporary. Once the precedent is set, it becomes sticky. Budgets adapt, campus expectations grow, and the spending rate quickly becomes polarizing. Rather than resetting the following year, committees often find themselves rationalizing why staying elevated is "prudent under the circumstances." This drift toward normalization is not hypothetical.

[A recent study](#) analyzing Form 990 data across institutions found that the average endowment spending rate already hovers around 5.1%, blurring the line between exception and policy. Which means that when a committee raises its rate "just this once," it is often stepping into what is already becoming the baseline. And the long-term tradeoff is substantial. A lower spending rate, say 4% instead of 6%, leaves more capital invested and compounding. While near-term distributions may feel tighter, by year 20 the lower rate begins to support greater annual spending. By year 38, it surpasses the higher rate in total cumulative dollars distributed. In other words, what feels like austerity today can actually deliver more support tomorrow (and within the broader career span of today's leaders, not just for future generations).

That future only materializes, however, if near-term decisions don't compromise it. If real returns fall short of projections, an elevated spending rate creates a double drag. The institution must either assume more risk or accept erosion of purchasing power, neither of which is sustainable.

And these costs are not only financial. Governance shifts from strategic to reactive. Meetings become post-mortems, not forums for new ideas. Instead of stewarding future value, fiduciaries are pulled into crisis management and short-term fixes. Unscheduled draws, policy overrides, or rushed reclassifications may buy time, but they bleed credibility, weaken guardrails, and set damaging precedents. In the end, the endowment stops functioning as a stabilizing dam and instead becomes a plug for every immediate leak.

“**CHARACTER MAY BE MANIFESTED
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PHILLIPS BROOKS

”

So What Should You Expect?

Expect discomfort. That's part of the work. Expect pressure from stakeholders, administrators, even your own conscience.

But also, expect resilience. Because when you hold the line, saying "no" to reactive spending and "yes" to disciplined policy, you aren't shutting down possibility but protecting optionality. You're ensuring that future decision-makers inherit flexibility instead of scarcity. That's the definition of stewardship.

At Crewcial, we think of spending policy as a keel on a sailboat. It doesn't power you forward and it doesn't prevent the water from being choppy. But it keeps the vessel upright when storms roll in. In essence, its entire purpose is to prevent capsizing.

To this end, we advocate for policies that blend philosophical integrity with practical flexibility. That means:

- **Smarter smoothing.** Use a hybrid spending formula that balances a rolling average of market values with inflation-aware adjustments. This helps avoid overreacting to short-term noise while keeping distributions aligned with rising costs and long-term value preservation.
- **Guardrails that mean something.** Set durable parameters with defined floors and ceilings that keep spending within mission-safe bounds. More importantly, build in automatic resets, so elevated spending tapers back without relying on a future committee's willpower.
- **Real stress tests.** Conduct regular reviews to identify potential risks early (whether market, liquidity, spending policy, or governance-related) and model scenarios not just for the next year, but across multiple economic regimes over decades. These simulations highlight how different spending behaviors affect future flexibility, risk exposure, and long-term purchasing power.
- **Clear lines of responsibility.** Ensure investment committees focus on growing and protecting capital, while operating teams manage current needs and execute based on what's made available. When these roles blur, short-term pressures can too easily distort long-term priorities.
- **Reframe perpetuity.** It's not about preserving a number. It's about preserving purpose. Policies should reflect that. Perpetuity isn't a financial constraint; it's a commitment to keep the institution's mission viable beyond this cycle, this decade, this leadership team, etc.

Hypothetically, a plan could look something like the following:

ELEMENT	POLICY STRUCTURE
Spending Formula	Annual spending shall equal 4.5% of the twelve-quarter trailing average of market value.
Formula Blend	Alternatively, spending may be calculated as 70% of the prior year’s spending (inflation-adjusted) plus 30% of a market value-based calculation.
Floor & Ceiling	Annual spending shall not fall below 3.5% nor exceed 6.0-6.5% of market value.
Reversion Clause	Any deviation from policy must be corrected within three fiscal years.
Inflation Cap	Annual spending growth shall not exceed 4-6%, except with explicit board approval.
Stress Testing	Policy shall be evaluated annually using scenario analysis over multi-decade horizons.
Governance Roles	Investment Committee: long-term capital stewardship. Finance/Budget Committee: short-term budgetary needs. Joint approval: policy exceptions.
Philosophical Anchor	The purpose of the endowment is to preserve institutional capacity in perpetuity, prioritizing mission continuity over nominal capital size.

Note: Both formulas (4.5% trailing average and the 70/30 blended approach) represent approved methods for determining spending rates. The 70% prior-year component provides operational stability by maintaining a predictable base level of spending, while the market-based components ensure alignment with portfolio performance over time.

The Quiet Power of Discipline

Spending policy is not a technical formality. It is one of the most powerful, yet underappreciated, expressions of an institution's values. It answers not just how much to spend, but why you are spending, for whom, and on what timeline.

Disciplined policy gives you cover and provides a narrative you can lean on, [which is crucially important when navigating the stress of these situations.](#) When difficult choices arise, it lets you say, 'This isn't about politics or fear, this is about the integrity of the institution we are entrusted to serve.' But that discipline only works if it's documented, rehearsed, and internalized across stakeholders. Otherwise, it's a house of cards waiting for the gentlest of breezes to tumble.

A well-designed policy also creates space for proactive decision-making: to build reserve strategies, engage with development staff, pursue other revenue channels, or gradually step down elevated spending without disruption. Providing a runway can be just as important as grounding a policy in rules.

The Future Is Listening

You will get pressure to spend more. That's a given.

You may even choose to raise your rate. In some cases, you'll need to, but do it with full awareness of what you are trading and a plan for how and when to step back. Don't view your spending policy as a temporary balancing act. View it as a durable belief system.

If you do need to lean harder on the portfolio, do it with intention. Avoid the reflex to chase returns through complexity or over-concentration. Crewcial's philosophy here is clear: your risk budget must still reflect your mission, not just "this" moment in time. That means maintaining diversification even when one segment of the market feels like a fix. It means questioning any strategy that prefers "timing" over "time" to succeed. It means resisting the urge to financial-engineer your way out of a structural problem that calls for strategic clarity.

Because when the pressure subsides, and it eventually will, the institutions that thrive won't be the ones that quickly flinched or bet big, but those that made disciplined choices, kept risk in proportion to purpose, and remembered what the capital is really there for.

That's not just financial stewardship, that's institutional character. And if you're expecting? Expect the need to demonstrate some.



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