Creating an Endowed Scholarship

Purpose

This policy establishes guidelines for creating and administering endowed scholarships to support students in pursuit of their educational and professional goals.

Definition of an Endowed Scholarship

An endowed scholarship is a permanent fund established with a charitable gift to provide ongoing financial assistance to students. The principal amount of the endowment (known as the corpus) is invested, and a portion of the annual earnings is used to fund scholarship awards. The endowment remains intact in perpetuity, ensuring a lasting source of support.

Minimum Gift Requirement

- A minimum initial donation of **$11,500** (a $10,000 corpus plus a 15% administrative fee of $1,500) is required to establish an endowed scholarship.
    - If you should want to administer a scholarship in the first year prior to investment gains, we recommend you add to your contribution the amount you would like to give in that first year.
- Additional contributions may be made at any time to increase the value of the endowment, and the amount of scholarship support available.

Note: If you are looking to contribute and support PDK's programs and scholarships but do not have $10,000 to establish your own endowment, you can contribute to any of our current scholarships including the Educators Rising student endowment. We also welcome donations to PDK's general funds to support our mission to address the issues of teacher shortage.

Fund Management

- Endowed funds will be invested and managed in accordance with the PDK's investment and spending policies.
- The amount of scholarship awarded is governed by the Investment Policy Statement as governed by the board. The amount determined will be distributed each year to support scholarships (see below for endowed scholarship best practices).
- Any earnings beyond the annual distribution will remain invested to continue grow the fund.
- PDK will charge a 15% administrative fee upon establishment of the scholarship and 1.5% annually for maintenance as a fiscal sponsor.

Donor Recognition and Involvement

- Donors may choose to name their endowed scholarship, subject to approval by the organization.
- Donors may work with the organization to establish general eligibility criteria for scholarship recipients (e.g., area of study, financial need, academic achievement), provided such criteria are consistent with the mission and policies of the organization.
    - It is our experience that the more restrictive you make your scholarship, the less likely it is for students to be able to benefit from your donation
    - PDK has four main types of scholarships that we encourage: 1) benefiting students interested in becoming an education professional as a teacher, 2) benefiting Educators Rising students to

participate in the Educators Rising Programs including membership and conference registrations, 3) benefit, promote, and grow educators beyond the classroom, 4) benefit students in the area of student voice, policy, advocacy and publication.

- Selection of scholarship recipients will be conducted by the designated scholarship committee to ensure fairness, compliance, and alignment with organizational goals.

Awarding of Scholarships

- Scholarships will be awarded annually once the fund has reached a level sufficient to generate spendable income, typically within one year of the endowment being fully funded.
- If the endowed fund has not yet generated sufficient earnings, awards may be delayed until such time as distribution is possible.
- Scholarships will be awarded to appropriate Educators Rising, PDK, and Pi Lambda Theta members who intend to enter a career in education.

Modification of Terms

- If circumstances change and the original purpose of the endowed scholarship becomes impractical or impossible to fulfill, the organization reserves the right to modify the terms of the scholarship in consultation with the donor (or their representative, if available) to ensure the gift remains consistent with the donor's intent and the mission of the organization.

Endowed Scholarship Best Practices:

An endowed scholarship is a permanent fund where a large donation is invested to provide scholarships to students indefinitely. Unlike a regular scholarship where the funds are spent directly, only the investment earnings from an endowed fund are used for awards, preserving the principal amount to generate income year after year.

The concept of the corpus

The corpus is the core, principal amount of the endowed scholarship fund. It is the initial large donation, plus any subsequent contributions, that is invested and kept intact in perpetuity.

Key characteristics of the corpus:

- It is not spent on annual scholarships.
- It is professionally invested, often by the institution's investment team, in a diversified portfolio to generate investment income.
- The goal is to grow the corpus over time to keep pace with inflation, ensuring the scholarship's purchasing power and impact last for generations.

How endowed scholarships work

1. Donation: A donor makes a significant one-time gift, or a series of gifts, to a university or foundation. This amount becomes the corpus.
2. Investment: The institution's financial office or investment management team invests the corpus.
3. Income Generation: The investments generate annual earnings through interest, dividends, and capital gains.

4. Scholarship Payout: A percentage of the investment income is paid out annually to students as a scholarship. This spending distribution is based on the institution's spending policy, not the entire annual earnings. A typical payout percentage for an endowed scholarship is 4% to 5% of the fund's total value.
5. Preservation: Any investment returns that exceed the annual payout are rolled over into future years for distribution.

Here is how this payout rate is determined and applied:

- Balancing present and future needs: Universities and foundations aim to spend enough to support students today without compromising the fund's ability to support students in the future.
- Averaging market fluctuations: To prevent dramatic changes in the scholarship amount from year to year, the payout rate is often applied to a "rolling average" of the fund's market value over the previous three to five years.
- Sustaining growth: The typical 4% to 5% payout is based on a long-term investment return target of 9% to 10%. Any investment returns that exceed the annual payout are rolled over into future years for distribution.
- Protecting the corpus: Some policies state that if the fund's market value falls below the initial corpus amount, no payout will be distributed that year to protect the principal.

Other donation opportunities:

- **Create a bequest**
    - Donors and their attorneys may be provided with standard bequest wording as follows:
        - "I give and bequeath to PDK International, PO Box 13090, Arlington, VA 22219, Tax ID 35-0975844], the sum of $____ (or ___% of my estate, or the residue of my estate) for its general purposes (or for the support of [eligible specific program or endowed fund])."
- **General Donation**
    - Not ready to create an endowed scholarship? You can still play a vital role in advancing the education profession. A general donation through our website directly supports future educators and strengthens the pipeline of tomorrow's teachers.