



# BEYOND FIVE PERCENT: The New Foundation Payout Menu

## EXECUTIVE SUMMARY

The majority of US foundations are set up to exist in perpetuity. Most pay out, in grants and administrative costs, around 5% of their assets each year, the minimum required by US law. However, some donors and foundations, driven by their missions, have moved beyond the “default” positions of perpetuity and 5% payout.

This report looks at a range of foundations that have followed such alternative courses to lifespan. They include foundations that are spending down, through a variety of methods, as well as several that have adopted policies of higher or flexible payout without necessarily intending to spend down. A few of these foundations have completed their work; most are still active.

Through profiles of 13 foundations ranging in size from a few million dollars to several billion dollars in assets, the report investigates the motivations, methodologies, challenges and results of the decision to do things differently. It explores the new structures that these foundations have developed, and looks at the effect of time-limited existence and higher payout on issues ranging from finance and investment to grantmaking policies, governance, staffing, and evaluation. It presents lessons learned from the process of linking lifespan and/or payout to mission. As new billionaires and other people of means enter the philanthropy sector, seeking innovative ways to deploy their resources, such experimentation with the relationship of mission, payout and lifespan is likely to continue. This report is intended to serve as a resource and an inspiration for such experimentation. All donors from new funders to seasoned donors, as well as advisors to philanthropists, will find useful information from the examples related in the case studies.

### SUPPORTERS OF “BEYOND 5%”

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Design by Ian Hewitt-Woods  
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Diane Feeney, President of the French American Charitable Trust (FACT), a co-sponsor of this report, is willing to be a resource or speaker on the topic of payout. Please contact her via her foundation website ([www.factservices.org](http://www.factservices.org)) or (415) 288-1305.

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