

# Endowments and Tertiary Education For Universities

## Description

The issue of university endowments is quite an interesting one.

Especially given the time we are in now of highly publicized donations and charities. Unlike the late 19<sup>th</sup> and early 20<sup>th</sup> century when magnates and wealthy industrialists chose to set up or substantially fund their own universities, the 21<sup>st</sup> century challenges of setting up and establishing a new university, have altered the field.

Those that seek to make a difference in education today, choose to make a donation to the institution of their choice which adds to the university's endowment, i.e. a set of assets whose investment yields an annual principal amount for income purposes. This is in contrast to another popular option, the gift, which is treated as income and not an investment. These investments are professionally managed on behalf of the university and the annual proceeds are dispensed according to the will of the donors.

Even modest annual returns of 4% or 5% could correspond to a substantial and dependable income for universities with large endowments; therefore, the option of setting up an endowment scheme is an exceptionally appealing option for universities that want to plan their long term financial security.

The donor's also can regulate how the endowment will be spent, if they so choose. A part of the annual return could be spent on scholarships based on merit or need, or for aiding freshmen from a specific geographical region or be funnelled towards a specific type of research the university engages in. Another popular option is for the income from endowments to be used in order to recruit and support world class researchers and educators.

In the United States<sup>[1]</sup>, according to the National Association of College and University Business Officers, there are approximately 70 institutions with endowments of over 1 billion USD. In Europe the numbers are significantly smaller, perhaps due to a tradition geared towards gifts and annual donations, as well as having more foundations that may not be always linked to tertiary education institutions but offer funding for scholarships and research more broadly. On the other hand, Universities in the Middle East are quickly making their mark in this category, with notably KAUST from Saudi Arabia<sup>[2]</sup>, already holding an endowment of approximately 20 billion USD.

Harvard University tops the relevant list with an endowment of approximately 30 billion USD<sup>[3]</sup>, followed by Yale with 20 billion USD in 2013. Cambridge tops the European list with approximately 5 billion Euros and is closely followed by Oxford at 4.2 billion, whereas the ETH in Zurich is the top continental endowment holder with 1 billion Euros in assets.

Endowments represent a useful tool in securing the finances of Tertiary education institutions and their income can be used to raise the research profile, the recruitment outreach and create opportunities for underprivileged students to join their ranks. However, creating a substantial endowment structure that will ensure the above requires a solid marketing of the university's strengths and a network of alumni and partners that will seek to contribute to it in the near future.

[1] 2013 Endowments of all US universities: <http://chronicle.com/article/Year-by-Year-Comparison-of/136935/>

[2] <http://news.sciencemag.org/2013/02/kaust-names-jean-lou-chameau-its-next-president>

[3] <http://www.thecrimson.com/article/2009/9/11/fundraising-total-falls-eight-percent-harvard/>