



FREQUENTLY ASKED QUESTIONS

What is an endowment?

What are the “rules”? Can we take money out if we need it?

Does the Diocese have access to ACEF endowments?

How much of our money does ACEF keep for itself?

ACEF gives us only a 4.5% distribution. Can you do better than that?

Exactly how does this 4.5% distribution work? What happens if we make 8% or 17% in a year?

Don't you need at least \$20,000 to start an endowment?

What if the market value of an endowment falls below its actual original amount because of a prolonged economic recession? Would ACEF still make a distribution?

We don't have any idea of how to create an endowment. Where do we start?

How does ACEF keep track of our funds? We heard once that parish funds get mixed up with Diocese funds.

What Is an Endowment?

An endowment is an investment vehicle that ensures that a parish will always have an income. The principal of an endowment is not spent; beneficiaries receive an annual income distribution.

Endowments managed by ACEF distribute approximately 4.5% income each year. Any additional income is reinvested so that in years when financial returns are poor, a distribution can still be made. Over time, as the size of the endowment increases, so does the income.

What are the “rules”? Can we take money out if we need it?

If a parish entrusts ACEF to invest general funds or a building fund, those investments can be withdrawn at any time, upon 90 days' notice. Once an individual has established an endowment with ACEF, money cannot be taken out of that endowment. This is not strictly an ACEF rule, but part of a binding legal agreement that applies to all endowments.

These policies are generally well understood. What causes some confusion is the following: A parish that has its own established endowments can entrust ACEF to invest these funds. In these cases, the parish is free to withdraw its investments and move them elsewhere. The parish cannot, however, dissolve these established endowments.

Does the Diocese have access to ACEF endowments?

No. ACEF is completely independent of the Diocese. Furthermore, strict regulations and policies ensure that each endowment that is established with ACEF is accounted for separately. The vast majority of ACEF endowments have been established to benefit individual parishes or church-related programs. The remaining one-third have been established to benefit the Diocese.

How much of our money does ACEF keep for itself?

Board members receive no financial compensation. You do pay your share of overhead and salary for one full-time staff person. And you pay a small percentage of the fee to ACEF's investment advisors, Cambridge Associates, who do not profit from any trades. Our annual expenses are approximately 0.6% of the fund's value.

ACEF will advise you on how to set up an endowment properly.

ACEF gives us only a 4.5% distribution. Can you do better than that?

By limiting distributions to beneficiaries to 4.5%, we are better able to buffer investors against years when the financial markets perform poorly. Any additional income is reinvested so that your distribution can increase over time.

Exactly how does this 4.5% distribution work? What happens if we make 8% or 17% in a year?

If investments generate more than 4.5% return, this extra income is reinvested. As the size of the endowment increases over time, so does the total interest income paid to beneficiaries. By limiting distributions to 4.5%, ACEF also ensures that beneficiaries will receive a distribution in years when the financial markets are not doing well.

Don't you need at least \$20,000 to start an endowment?

No, you can establish an endowment with ACEF for as little as \$5,000. Some parishes will establish an endowment for just \$2,000.

What if the market value of an endowment falls below its actual original amount because of a prolonged economic recession? Would ACEF still make a distribution?

Under the law, distributions may still be made even though the endowment has fallen below its historical value so long as the ACEF board, in fulfilling its fiduciary duty, exercises prudence and performs a reasoned analysis, guided by applicable statutes. This decision would constitute an exception to the policy that the principal of an endowment is not spent, and it would be invoked only during extraordinary times.

We don't have any idea of how to create an endowment. Where do we start?

ACEF will advise you on how to set up an endowment properly. We will make sure that the endowment is written to ensure that your wishes will always be honored. This includes anticipating any future changes in the status of your parish or other beneficiary.

How does ACEF keep track of our funds? We heard once that parish funds get mixed up with Diocese funds.

ACEF aggregates individual endowment funds and invests them in a broadly diversified portfolio. However, each ACEF fund is accounted for separately. A single parish might have 50 to 100 endowments benefiting that parish, and each one is individually tracked and reported on.

Further, ACEF investments are subject to a full, independent audit every year. This ensures that each of the hundreds of individual endowments that make up the Armenian Church Endowment Fund is properly managed and documented. This audit and our investment strategies are always available for review, and an annual report is sent to the guardian of each fund.



The Armenian Church Endowment Fund (ACEF) is an independent nonprofit that supports parishes and individuals who are creating a legacy through endowments. We encourage these parishes and individuals to make long-term investment planning an everyday practice, and we help them maximize financial returns by investing as a community. Please refer to our Web site and contact our office for complete details on ACEF's policies and procedures.
