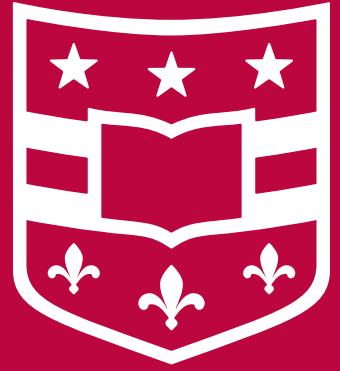
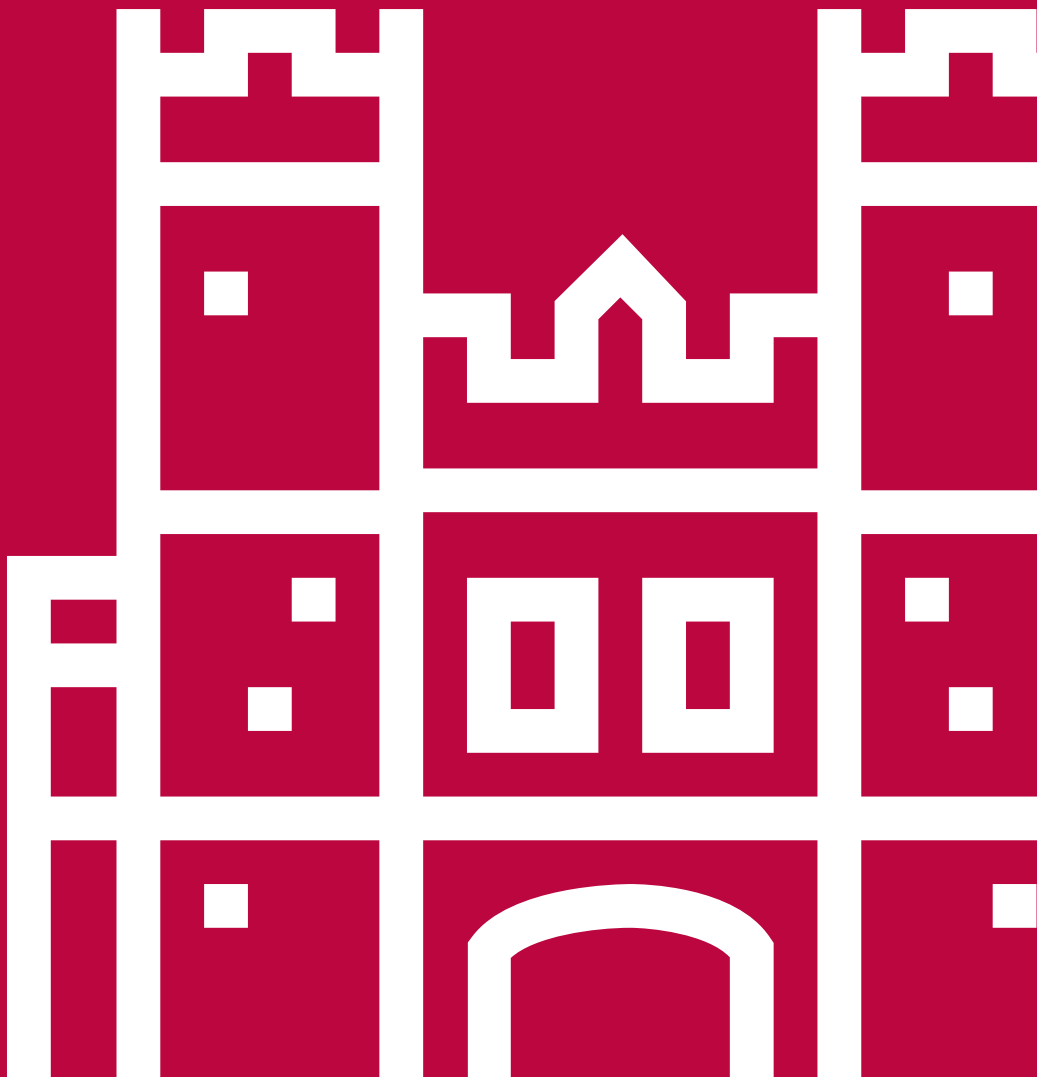


# Course series on WashU's **endowment**

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Spring 2026





# Course catalog

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# WashU

## Endowment 101:

### How the Endowment Works

#### What is the endowment?

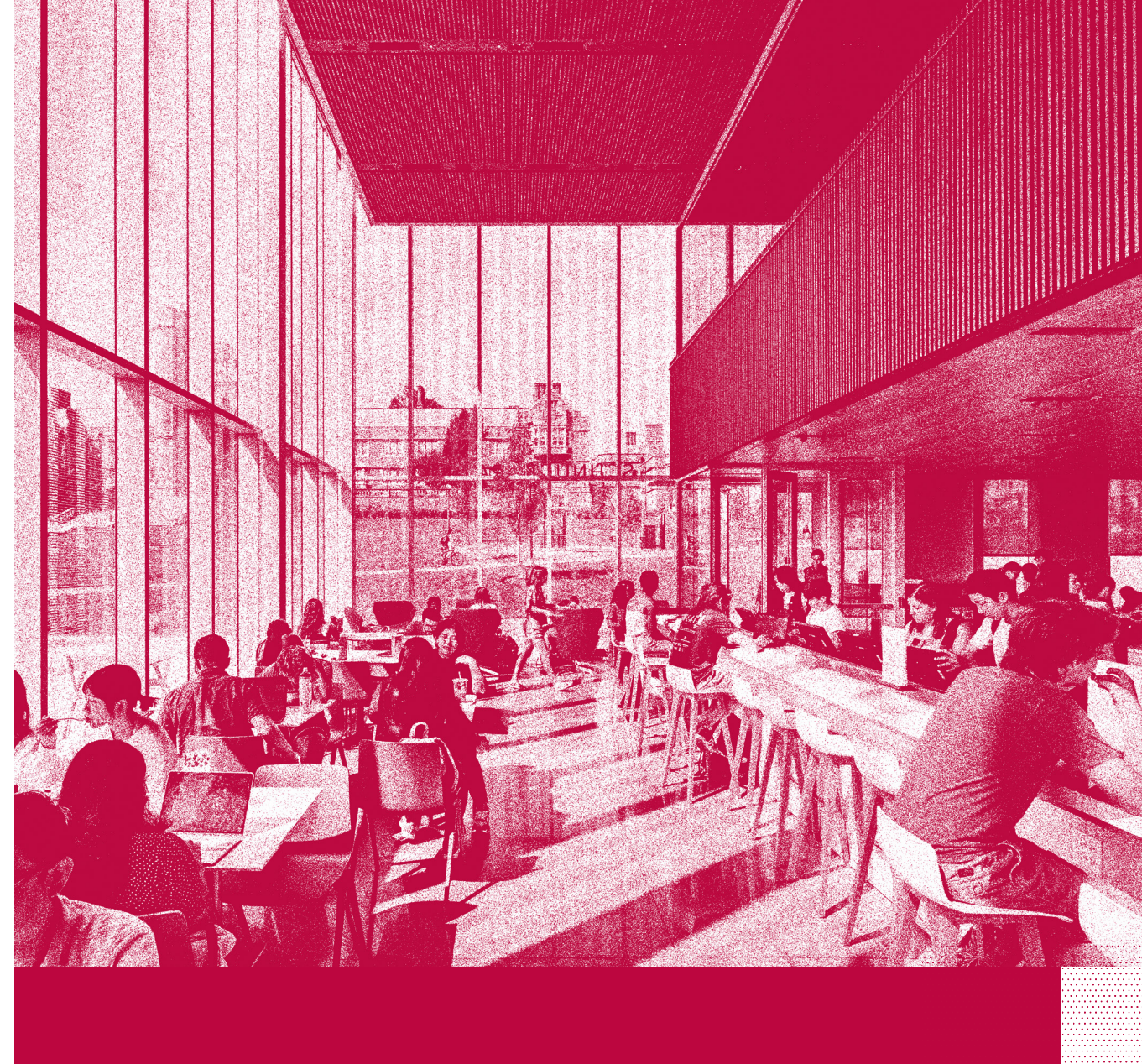
It is a pool of financial capital formed primarily with gifts from donors, similar to a mutual fund. It is a permanent asset with the purpose of sustaining the university across generations. This means WashU invests for the long term and spends only a conservative portion of its annual earnings to advance the university's mission.

Because the endowment is meant to provide intergenerational support, it is fundamentally different from personal investments like retirement accounts, which are meant to be cashed out during the investor's lifetime. Also, the time horizon for our endowment is much longer than that of individual investments.

#### When someone gives to the endowment, where does their money go?

The money goes into an endowed fund, which is granted units of the endowment, comparable to shares of a mutual fund. The endowment pool is invested by an independent team of financial experts known as Washington University Investment Management Company, or WashU IMC. (The chancellor and other university leaders do not control how the endowment is managed or where it allocates its investments.)

The earnings of this investment generate an annual payout between 3% and 5.5% each year. This is spent on donors' various designated uses, such as professorships, research funds, scholarships, and more. The endowment comprises more than 4,470 separate endowed funds, most of which are earmarked for specific priorities; other unrestricted funds allow the university to pivot and respond to unforeseen challenges and opportunities.



#### How does the endowment grow over time?

After the annual payout is allocated, the remaining income is reinvested, serving as a perpetual source of funding to propel WashU's mission of research, teaching, and patient care. The payout happens regardless of market conditions, and by taking less than the total return in good years, the university is able to grow the endowment over time.

WashU IMC targets an average return of 8-11% each year. This covers the annual payout (3-5.5%), accounts for inflation to protect future purchasing power (3-4%), and generates real growth to advance WashU's excellence (1-2%).



# WashU Endowment 250: Skepticism and the Endowment

## **WashU has such a big endowment, so why does the university continue to need money?**

Over the last 40 years, under the leadership of Chancellor Andrew D. Martin, Chancellor Emeritus Mark Wrighton, and former Chancellor William H. Danforth, WashU's endowment has grown by leaps and bounds. This is the result of the community's generosity and the university's prudent stewardship of resources.

Given the healthy endowment, some people assume that WashU has billions of dollars at its immediate disposal. That's simply not true. The total annual payout from the endowment accounts for between 10-12% of the university's operating budget in a given year. If total operating costs were \$100, the endowment would give WashU \$10-12 to spend.

## **Why can't WashU just spend more of the endowment?**

Because almost two-thirds of the university's endowment has been restricted by donors (remember those 4,470+ distinct funds)?

What's more, WashU IMC must follow a variety of legal parameters that limit how much the university can spend each year from the endowment in total as well as how it can allocate specific funds per individual donor agreements.

Finally, the endowment is designed to sustain the university in perpetuity. Literally, forever. Not just today's students, but today's students' great-great-grandchildren and beyond. Constantly growing through careful investment. Compounding the return on investment over time.

Consider a hypothetical situation in which the university decided to fund most of its annual operations through money from the endowment. In this imaginary scenario, the endowment would likely be depleted in less than three years, leading WashU to close its doors. This would defeat the endowment's essential purpose of securing the university's long-term future.

## **Anything else to say about why the university needs additional money?**

Right now, roughly 50% of financial aid comes from the university's operating budget. This pulls funding from faculty, research, and academic excellence.

That is why endowed gifts to scholarships are so important. When donors give to endowed scholarships, they support access for students *and* institutional excellence.





# WashU Endowment 300: Intro to the Endowment Excise Tax

## What is important to know about the higher endowment excise tax?

The federal government started taxing university endowments in January 2018 at 1.4%. Beginning July 1, 2026 — the start of the fiscal year — WashU's realized earned investment income will be taxed at 4% instead of 1.4%.

## What does this higher excise tax mean for WashU?

It means the university goes from paying about \$20 million annually in taxes on its endowment income to roughly \$57 million. That's an increase of about \$37 million — the equivalent of almost 20 full-tuition, four-year undergraduate scholarships.

## How does this higher tax affect my gift?

Only realized investment earnings are taxed, not the principal. Even with this change, the principal remains intact and continues to provide permanent support. The impact of an endowed gift remains powerful.

## Are endowed gifts still a good investment?

Yes. Endowed gifts continue to be one of the most reliable ways to ensure the university's success, now and forever. WashU's tax rate has increased, but 96% of investment returns still go toward supporting the endowment's purpose.



# 4

## WashU Endowment 400: The Power of Endowment Giving



### Why should a person give to the endowment?

Donors can maximize their impact by providing intergenerational support. Endowed gifts support successions of exceptional students — as well as talented professors and highly passionate staff — for as long as WashU exists. Philanthropy toward the endowment is a solid and sustainable investment in the university's mission and its people.

### How do endowment gifts make a tangible impact on the university's mission?

Think about some of the most important ways WashU can improve the world, e.g., fueling biomedical research, increasing access to higher education, and eliminating health-care disparities. When donors make an endowed gift, they ensure that WashU's mission of research, education, and patient care continues to grow and thrive for as long as the university endures.

### Any other reasons to make an endowed gift?

Because of the endowment's long-term investment strategy, there is a compounding effect that amplifies the literal value and impact of endowed gifts over time. Consider the example of St. Louis philanthropist Eliza McMillan: In 1915, she bequeathed \$107,148 to endow the Eliza McMillan Scholarship at WashU. Her gift, with a current market value of roughly \$5 million, has benefited more than 500 students since its inception and continues to provide scholarships today.

### What is the process WashU follows to steward endowment gifts wisely?

All endowed gifts are managed by WashU IMC, the independent team of expert investment professionals. Founded in 2006, WashU IMC is accountable to its own board of elected members, most of whom are current or emeritus university trustees. The board chair, university chief financial officer, and Chancellor Martin sit as ex officio members. (The chancellor and CFO are non-voting members.)

Over long-term investment periods, WashU IMC aims to achieve a 10-12% annualized return and has consistently delivered superior results. **Learn more** about the group's guiding investment principles and read the latest **WashU IMC Endowment Annual Report**.

# 5

## Course in review: Key endowment takeaways

1. The endowment is complex. **That's why it's managed by an independent group of experts.**
2. It offers intergenerational support ... **forever.**
3. WashU has a healthy, sizable endowment — but it's not like a retirement account. With “forever” in mind, the endowment **allows WashU to plan for the future with confidence.**
4. The new endowment excise tax has increased, but with 96% of investment income still going directly to the university, **endowment giving remains a solid, wise investment.**
5. When you give to the endowment, the financial value and real-world impact of your original gift compound and **grow over time.**
6. With the **generosity of the university community and the expertise of its investors**, WashU can do world-changing things through its endowment.
7. It's amazing what WashU can do, **with you.**



# 6 Supplemental learning

By the numbers

**\$13.4B**  
Endowment market value at 6/30/25

**\$153M**  
New endowed gifts in FY25

**4,473**  
Total number of endowed funds

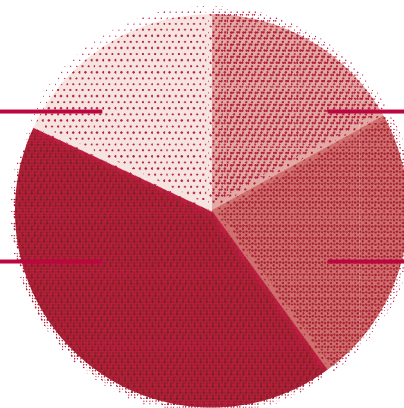
**63%**  
Endowed funds with donor restrictions

**\$586M**  
Endowment payout in FY25

FY25 endowment distribution by use

**FACILITIES**  
18%

**SCHOOLS, DEPARTMENTS, RESEARCH & PROGRAMS**  
42%



**PROFESSORSHIPS**  
17%

**SCHOLARSHIPS AND FELLOWSHIPS**  
23%

If you could change one thing in the world,  
*what would it be?*

**With You.**  
The WashU Campaign

With community support, WashU can continue to build much-needed endowment resources to sustain its institutional mission and advance its fundraising campaign vision: to solve some of society's greatest and most complex challenges through exemplary research, teaching, and patient care.

**Imagine:**

- Halting the progression of Alzheimer's
- Ensuring talented students can afford college
- Alleviating hunger and malnutrition
- Redefining leadership education
- And much more.



Join WashU and make an endowed gift today by scanning the QR code:



