



PHILANTHROPIC SERVICES

UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS ACT (UPMIFA)

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) was adopted in 2006, and has been enacted in every state except Pennsylvania. The purpose of the UPMIFA is to provide guidance and authority to charitable organizations on investment management and endowment spending. The law dictates that nonprofit endowment spending must determine if it is prudent to do so based on seven specific factors.

FACTORS TO CONSIDER

- I. The duration and preservation of the endowment fund.**
- II. The purposes of the institution and the endowment fund.**
- III. General economic conditions.**
- IV. The possible effect of inflation or deflation.**
- V. Expected total return from income and the appreciation of investments.**
- VI. Other resources of the institution.**
- VII. Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the institution. (Unique to New York State)**
- VIII. The investment policy of the institution.**

Under prior law, an institution could appropriate for expenditure so much of the net appreciation as the board determined was prudent; however, not below the historic dollar value (only via court approval). This Act removes the prohibition on appropriations below historic dollar value of endowment funds. For endowment gifts made after 9/17/2010, the Act creates a rebuttable presumption of imprudence if an institution appropriates more than 7% of the fund's Fair Market Value (averaged over a period not less than the preceding 5 years) in any year.

Source: Office of the New York State Attorney General Charities Bureau

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