

The 2% Difference

Items to consider if your organization has investment funds



What is the 2% difference? While it doesn't sound like much, a 2% difference in your annual investment returns can have a profound effect on available dollars. We see too many organizations that have their funds in checking, savings or certificate of deposit accounts, which can adversely impact available dollars for your mission. Over time, even a modest bump in your returns can make a significant impact.

Take the Long View

A local nonprofit was created to distribute proceeds annually from a \$1 million gift they received. Like many well-intentioned boards, the group shopped around for the most attractive certificate of deposit account they could find locally. Ten short years later, the remaining balance has dropped to less than a quarter of a million dollars. Because the fund was generating so few dollars, the board dipped into the principal. By only earning a few percentage points more, the group could have actually increased its annual grantmaking without evading the principal.

Dollars Invested	Ending Balance 10 Years*	Ending Balance 20 Years*	Ending Balance 50 Years*
\$100,000 @ 2%	\$121,899	\$148,595	\$269,159
\$100,000 @ 4%	\$148,024	\$219,112	\$710,668
Difference	\$26,125	\$70,517	\$441,509
\$250,000 @ 2%	\$304,749	\$371,487	\$672,897
\$250,000 @ 4%	\$370,061	\$547,781	\$1,776,671
Difference	\$65,312	\$176,294	\$1,103,774

“Compound interest is the eighth wonder of the world. He who understands it, earns it ... he who doesn't ... pays it.” — Albert Einstein



649 John Fitch Hwy, Fitchburg, MA 01420 • 978.345.8383 • cfncm.org • facebook.com/cfncm

There's so much more we'd like you to know about how your Community Foundation can help you achieve your charitable goals. We welcome the opportunity to work with you. Contact Linda Mack, Vice President for Development and Donor Services, 978.345.8383, ext., 321 or lmack@cfncm.org.

***The purpose of this example is to illustrate the power of compounding interest at a higher rate over time and is no guarantee of future results.**