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U.S. Higher Education Endowments Report 6.8% 10-Year Average Annual Return,

Increase Spending to a Collective $30.0 Billion

Annual NACUBO-Commonfund Study shows participating institutions spent nearly half of endowment distributions on student financial aid

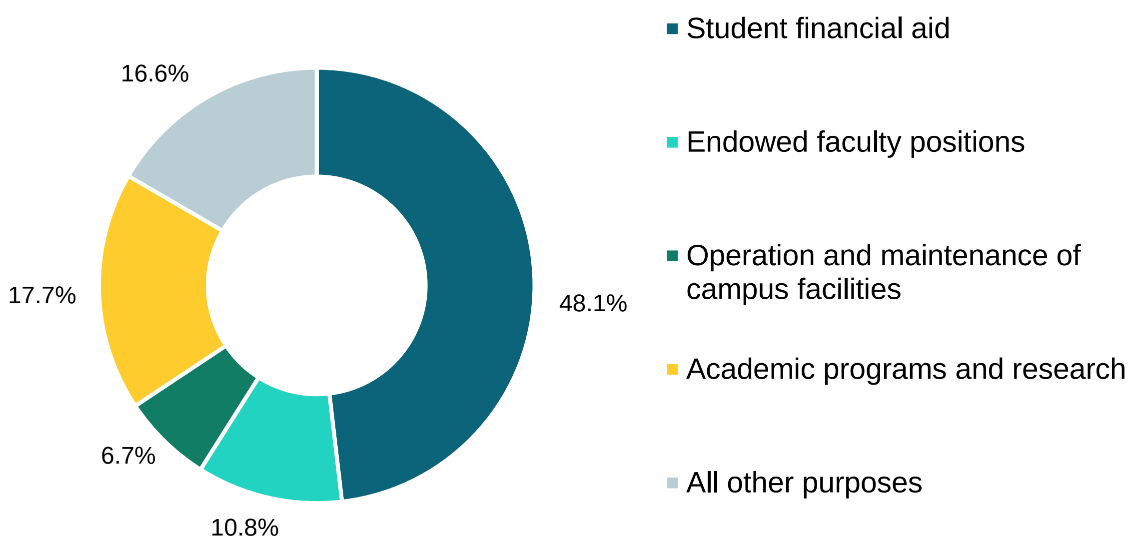
WASHINGTON, DC (February 12, 2025)—Data from the *2024 NACUBO-Commonfund Study of Endowments*® (NCSE) show that the 658 U.S. colleges and universities and affiliated foundations participating in the Study continue to rely on their endowments to support student financial aid, faculty and staff salaries, operating budgets, and more. Strong 10-year annual returns, a key measurement of endowment performance, made this spending possible and prudent.

The 658 institutions in this year's study represented a total of $873.7 billion in endowment assets. The median endowment was $243 million, and nearly 30 percent of study participants had endowments that were $100 million or less.

In total, participating institutions withdrew $30.0 billion from their endowments during the fiscal year, a 6.4 percent year-over-year increase. A majority of endowment spending (48.1 percent) funded student financial aid, while 17.7 percent was distributed to academic programs. Other recipients included endowed faculty positions (10.8 percent), operation and maintenance of campus facilities (6.7 percent), and all other purposes (16.6 percent). On average, institutions participating in the FY24 study used their endowments to fund 15.3 percent of their annual operating expenses.

Spending Policy Distributions by Function

645 responded Institutions



“These results really capture what endowments are all about—the generosity and goodwill of donors who, in perpetuity, support the essential teaching, research, and service missions of American colleges and universities,” said NACUBO President and CEO Kara D. Freeman. “Faculty and staff certainly benefit from this philanthropy, but students remain the primary beneficiaries, as the bulk of these resources is used to maintain student aid and affordability. This is incredibly important work and demonstrates how short-sighted it would be to further tax these funds and divert them from their true purpose.”

Higher education institutions are able to rely on their endowments thanks to sound financial management reflected over years. In FY24, institutions in the NACUBO-Commonfund Study reported realizing an average annual return on their endowments of 6.8 percent over the past 10 fiscal years (July 1, 2015, to June 30, 2024).

One-year investment returns for FY24 averaged 11.2 percent, and for FY23 they averaged 7.7 percent. Three-year returns averaged just 3.4 percent, however, owing to a return of -8.0 percent in FY22. Over the past decade, FY21 generated the highest return for endowments (30.6 percent), but two years produced negative returns and two more resulted in positive but low single-digit gains. At FY24, trailing five-year returns averaged 8.3 percent and 25-year returns averaged 6.1 percent.

“Returns for FY24 as well as FY23 generally support institutions’ pursuit of their long-term mission objectives, while years when returns are flat or negative, like FY22, remind us that effective stewardship of endowment assets is a responsibility demanding constant diligence and commitment,” said Commonfund Institute Executive Director George Suttles. “Were the three-year average return of 3.4 percent to extend to longer periods, annual spending in support of critical needs would be severely challenged.”

Long-term returns are of greatest importance for fulfilling the missions and objectives of perpetual institutions such as colleges and universities. Endowments operate on the principle of intergenerational equity, meaning that endowment values should be preserved in real (after inflation) terms so that students of future generations will have the same level of endowment support as generations past and present. Institutions generally pursue long-term returns on their endowments sufficient to fund their annual effective spending rate, keep pace with inflation, pay investment management costs and, if possible, retain an increment for future endowment growth.

Average One-, Three-, Five-, 10-, 15-, 20-, and 25-Year Net Annualized Returns

Numbers in percent (%)	TOTAL INSTITUTIONS
TOTAL INSTITUTIONS	**658**
1-year net annualized return	11.2
3-year net annualized return	3.4
5-year net annualized return	8.3
10-year net annualized return	6.8
15-year net annualized return	8.2
20-year net annualized return	6.9
25-year net annualized return	6.1

Since NACUBO created the Study of Endowments in 1974, it has become the most comprehensive annual survey and analysis of the endowment management and governance policies and practices of U.S. institutions of higher education and their affiliated foundations. NACUBO and Commonfund partnered on the FY24 study. NACUBO and Commonfund have partnered on seven editions of the study, including this year’s.

FY24 Returns

Study data were segmented into seven size cohorts ranging from endowments with assets under $50 million to those with assets over $5 billion. In addition, data were segmented by type of institution: private, public, institutionally related foundations (IRFs) and combined endowment/foundations.

Average returns did not differ as widely across the seven size cohorts as they did last year.

The highest FY24 return, an average of 13.0 percent, came from institutions with endowments under $50 million. The lowest return was at the opposite end of the size spectrum, among institutions with endowments over $5 billion, where returns averaged 9.1 percent.

Over longer time periods, larger endowments typically have generated higher returns. For example, over the trailing 10-year period, institutions with assets over $5 billion reported an average annual return of 8.3 percent versus 6.5 percent for institutions with assets under $50 million. Respective 25-year returns were 8.5 percent and 4.5 percent.

The difference in FY24 may be largely attributed to asset allocation; smaller endowments had considerably larger allocations to the public equity markets, which generated strong investment returns. Over longer periods, alternative strategies, to which larger institutions have greater allocations, have generally produced higher returns.

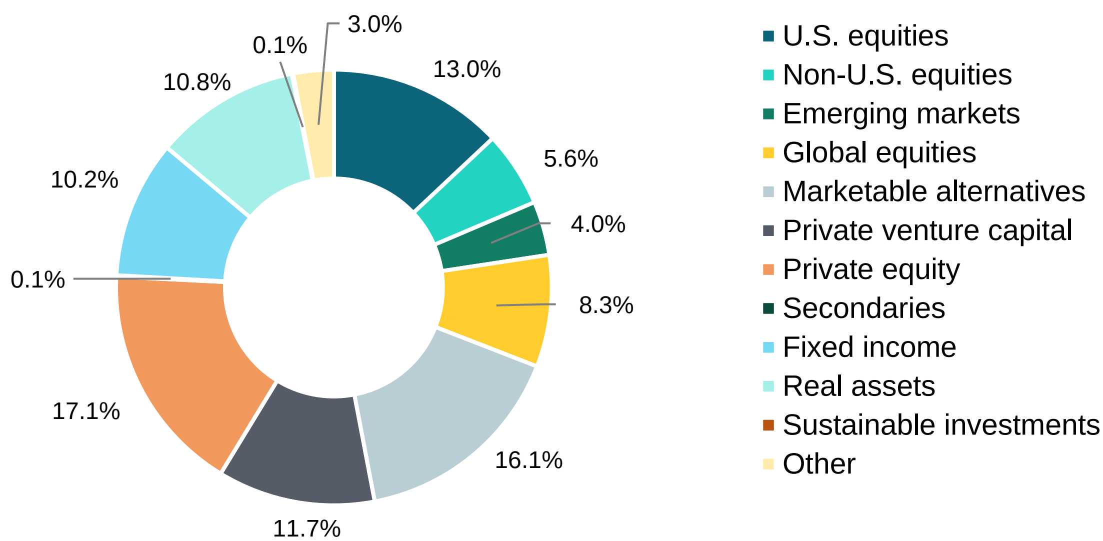
Of the seven size cohorts, all produced double-digit returns, ranging from 10.0 percent to 13.0 percent except the 9.1 percent return of institutions with assets over $5 billion. The FY24 returns by size category closely resemble those reported for FY23, which also saw strong returns for public equities.

FY24 investment returns by type of institution showed a spread of only 80 basis points (0.8 percentage point) from the high—11.7 percent for institutionally-related foundations—to 10.9 percent for public colleges, universities and system funds. Private institutions reported an average return of 11.0 percent while combined endowment/foundations secured an average return of 11.2 percent.

Asset Allocation

The way participating institutions' assets were diversified across a range of asset classes and strategies did not reflect material changes from FY23 to FY24 (measured on a dollar-weighted basis). The two fiscal years were also alike—and a departure from historic norms—in that institutions with smaller endowments secured higher investment returns than those with larger endowments. In both FY23 and FY24, smaller institutions had substantially larger allocations to publicly traded securities—specifically U.S. equities, non-U.S. equities (developed markets), emerging markets, and global equities. These allocations combined posted the strongest returns for both fiscal years. Larger endowments had smaller allocations to the public equity markets and were more heavily weighted to private investment strategies, where returns were positive but lagged on a relative basis.

Average Asset Allocation* of Total Study Participants, FY24



* Dollar-weighted

For NCSE participants as a whole, alternative investment strategies (equities and real assets combined) remained the largest allocation at 55.7 percent. This included double-digit allocations to private equity (17.1 percent), marketable alternatives (16.1 percent), venture capital (11.7 percent) and real assets (10.8 percent). Among public equities, the largest allocation was to U.S. equities, at 13.0 percent, an increase from 12.5 percent in FY23 and 10.8 percent in FY22. Fixed income showed a lower allocation, 10.2 percent in FY24 compared with 11.0 percent the previous year.

Budget Support, Annual Spending Rates and Gifts

Endowments funded an average of 14.0 percent of NCSE participants' annual operating budgets in FY24, an increase over the 10.9 percent funded in FY23. Institutions in the two largest size cohorts—over $5 billion and $1 to $5 billion—were most reliant on their endowments, using the funds for17.6 percent and 18.9 percent, respectively, of their annual operating budgets. Institutions in the other size categories relied on their endowments to fund 11.2 percent to 15.6 percent of their budgets.

The average annual effective spending rate in FY23 was 4.8 percent, up from 4.6 percent the previous year and 4.0 percent in FY22. The highest average annual effective spending rate, 5.0 percent, was reported by two cohorts: those with endowment assets of $51 to $100 million and those with assets of $251 to $500 million. Close behind were institutions in the under $50 million, $101 to $250 million and over $50 billion cohorts, reporting average effective spending rates of 4.9 percent. Private institutions reported an effective spending rate of 5.2 percent, compared with 4.2 percent for public institutions. The effecting spending rate for institutionally related foundations and combination endowment/foundations was 4.2 percent and 3.8 percent, respectively.

An important bright spot, FY24 new gifts to endowments totaled $15.2 billion among all study participants, an 18.1 percent increase over FY23's $12.7 billion. The average new gift in FY24 for study participants was $24.4 million ($20.4 million in FY23), and the median new gift was $5.0 million ($4.8 million).

Responsible Investing

Among NCSE respondents that reported implementing a responsible investing strategy, 28.6 percent have implemented an environmental/social/governance (ESG) strategy (compared to 26.7 percent a year ago), 15.2 percent employed negative screening (13.2 percent), and 9.8 percent reported using impact investing[1] compared to last year's 8.1 percent. Only the latter showed a noteworthy year-over-year change, a 21 percent increase. Across the seven size cohorts, ESG was the most widely practiced approach, with 15.8 percent to 43.8 percent of each cohort implementing it.

[1] ESG is investing in alignment with environmental/social/governance factors; negative screening (also known as SRI, or socially responsible investing) is barring investments in companies engaged in industries or practices not consistent with ethical guidelines; and impact investing is investing in alignment with an institution's mission.

About NACUBO

NACUBO, founded in 1962, is a nonprofit professional organization representing chief administrative and financial officers at more than 1,700 colleges and universities across the country. NACUBO works to advance the economic vitality, business practices and support of higher education institutions in pursuit of their missions. For more information, visit www.nacubo.org.

About Commonfund Institute

Commonfund Institute is among the nation’s most trusted sources for relevant, useful, and proprietary data, analytics, and best practices in financial management. The Institute provides a wide variety of resources, including conferences, seminars, roundtables, and online learning through Commonfund Institute Online. Insights cover topics such as endowments and governance; proprietary and third-party research such as the Commonfund Benchmark Studies®; publications including the Commonfund Higher Education Price Index® (HEPI); and events such as the annual Commonfund Forum and Investment Stewardship Academy. For more information, visit www.commonfund.org.

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