

# 8 Ways to Enhance Donor Trust by Improving Your Investment Stewardship

*A Roadmap to Action for Nonprofit Leaders*



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# Disclaimer

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# Fiduciary Path—Speakers



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Language of Nonprofit Fiduciaries™ : <https://fiduciarypath.com/download-language-of-nonprofit-fiduciaries/>

Today we will discuss:

1. Today's Realities—Some Background Information
2. Building a Fiduciary Culture
3. 8 Ways to Get to Fiduciary

*“For nonprofits . . . reputation is everything.”*

MIT Sloan Management Review 2014. “How Nonprofit Organizations Use Reputational Risk Management.”

*“Only about half (47%) of nonprofit directors believe that their fellow board members understand their obligations as directors very well.”*

Stanford Graduate School of Business, 2015 Survey of US Boards of Directors on Nonprofit Organizations.

*In the US, only 60% of respondents said they trust charities – and a whopping 27% said they don’t.*

Source: June 2019 Gallup and Wellcome Trust

# Today's Realities—Lay Fiduciaries



The Center for Board Certified Fiduciaries™ (CBCF™) has completed a research report that estimates that 17 million lay fiduciaries control over \$26 trillion in the U.S <sup>1-8</sup>

[https://www.allodium.com/images/pdf/2021\\_Where-Are-the-Lay-Fiduciaries.pdf](https://www.allodium.com/images/pdf/2021_Where-Are-the-Lay-Fiduciaries.pdf)

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# Today's Realities—Lay Fiduciaries

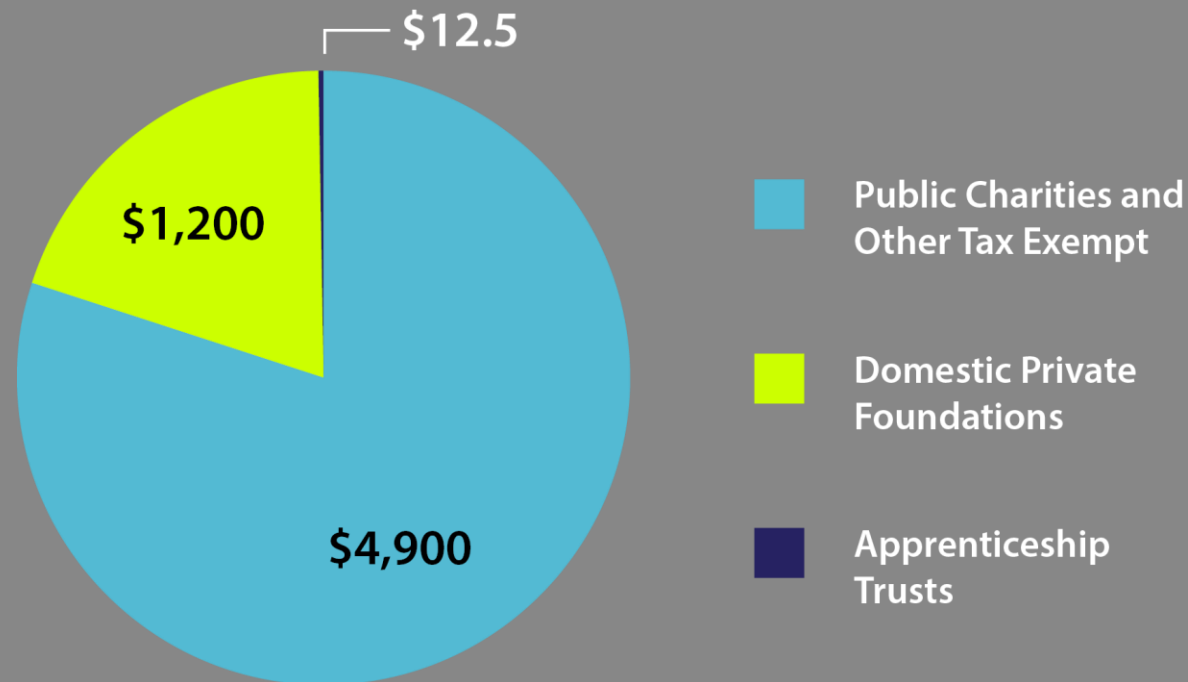


In 2016, there were at least 1,661,597 nonprofits registered with the IRS.<sup>2-3</sup>

Lay fiduciaries control at least \$6.1 trillion for nonprofits as of 2018.<sup>4</sup>

# Today's Realities—Lay Fiduciaries

## \$ Invested (Billions)

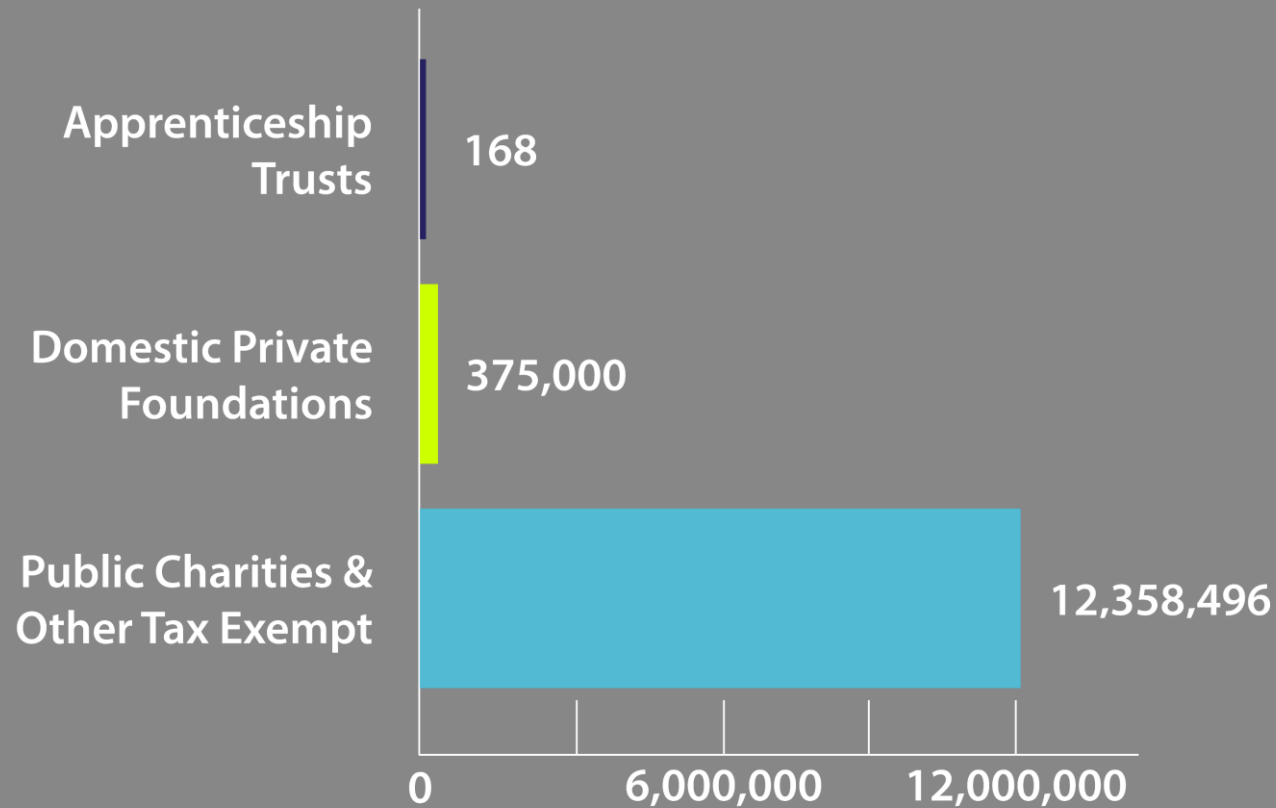


See References 1-8.  
For more information  
about how numbers  
were derived,  
access full report at  
[https://www.allodium.com/images/pdf/2021\\_Where-Are-the-Lay-Fiduciaries.pdf](https://www.allodium.com/images/pdf/2021_Where-Are-the-Lay-Fiduciaries.pdf)



# Today's Realities—Lay Fiduciaries

## Number of Nonprofit Lay Fiduciaries



See References 1-8.  
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# Today's Realities—Billions Squandered

## Annual Returns for Five Years Ending Dec. 2016

- 7.7% Foundation Median
- 9.04% Vanguard 70/30 Global Fund (any investor can purchase)
- 9.3% Top Quartile Foundations
- 6.3% Bottom Quartile Foundations



Photos: JP Valery & Micheile Henderson at unsplash.com

# Today's Realities—What Does this Mean?



## Do Your Organization's Math

- +/-1% of \$100 million = extra \$1 million per year
- +/-1% of \$50 million = extra \$500,000 per year
- +/-1% of \$10 million = extra \$100,000 per year
- +/-1% of \$5 million = extra \$50,000 per year

Context: 1% = 20% of typical annual endowment distributions/gifting

## Who Is A Fiduciary?

*Someone who manages the assets of another person and therefore a relationship of trust, confidence, and/or legal responsibility.*

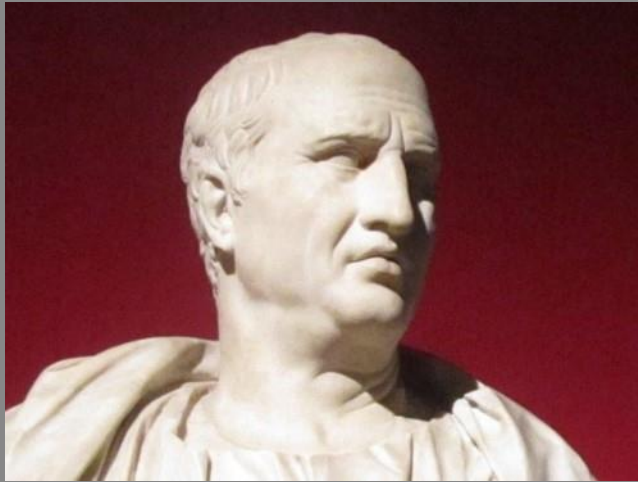


Image by [Rawpixel](#) from [Pixabay](#)

## The Bottom Line

- If you're on the Board or in a decision-making role, you are a Fiduciary
- Fiduciary excellence leads to trust
- Trust leads to enhanced donor confidence and board engagement; leading to increased donations, financial security and mission success

## Why The Fiduciary Standard Exists



*“...[W]e cannot do everything ourselves;  
different people are more capable in different matters  
... [I]n cases where we ourselves cannot be present, the vicarious  
faith of friends is substituted; and he who impairs that  
confidence, attacks the common bulwark of all men, and as far as  
depends on him, disturbs the bonds of society...”*

*— Cicero, 106-43 BC,  
Oration for Sextus Roscius of Ameria*

## What Does a Fiduciary Culture of Excellence Look Like?



**Culture of Excellence:** Building a culture of investment fiduciary excellence begins with a shared vocabulary, prudent practices, systematic process, and knowledge that generates more for your mission whether it's charitable, community or retirement. Increased trust, effective management, enhanced reputation, more confident donors, *improved outcomes for beneficiaries of the mission.*

## Speak Fiduciary to Me

- Communication can be a funny thing— each group has its own special terminology and shorthand
- Fiduciaries are no different and *The Language of Nonprofit Fiduciaries*® will help your team develop a common vocabulary.

## Some Quick Terms:

Custodian

AIFA®

AIF®

Lay Fiduciary

Portfolio

Assets

Investment Steward

Delegated



# 8 Ways to Get to Fiduciary

## 1. Three Types of Investment Fiduciaries

- Investment Steward
- Investment Advisor
- Investment Manager



Image by [StartupStockPhotos](#) from [Pixabay](#)

# 8 Ways to Get to Fiduciary

## 2. Embrace Your Responsibilities as a Fiduciary

You are a fiduciary if you...

- Have the power to appoint other fiduciaries
- Provide professional advice
- Exercise discretion in decision-making



## 3. Who Isn't a Fiduciary

People in roles that focus on execution of specific functions at the direction of others

- Common non-fiduciary service providers include:
  - Brokers executing transactions at the direction of a money manager
  - Custodians who administer tasks involved in holding, handling and safeguarding client assets
  - Accountants and auditors
- No power to appoint other fiduciaries, no professional advice is provided, do not act with discretionary authority

## 4. Three Fundamental Fiduciary Obligations

Loyalty

- Serve the best interest of the beneficiary
- Act in good faith
- Avoid or manage conflicts of interest

Care

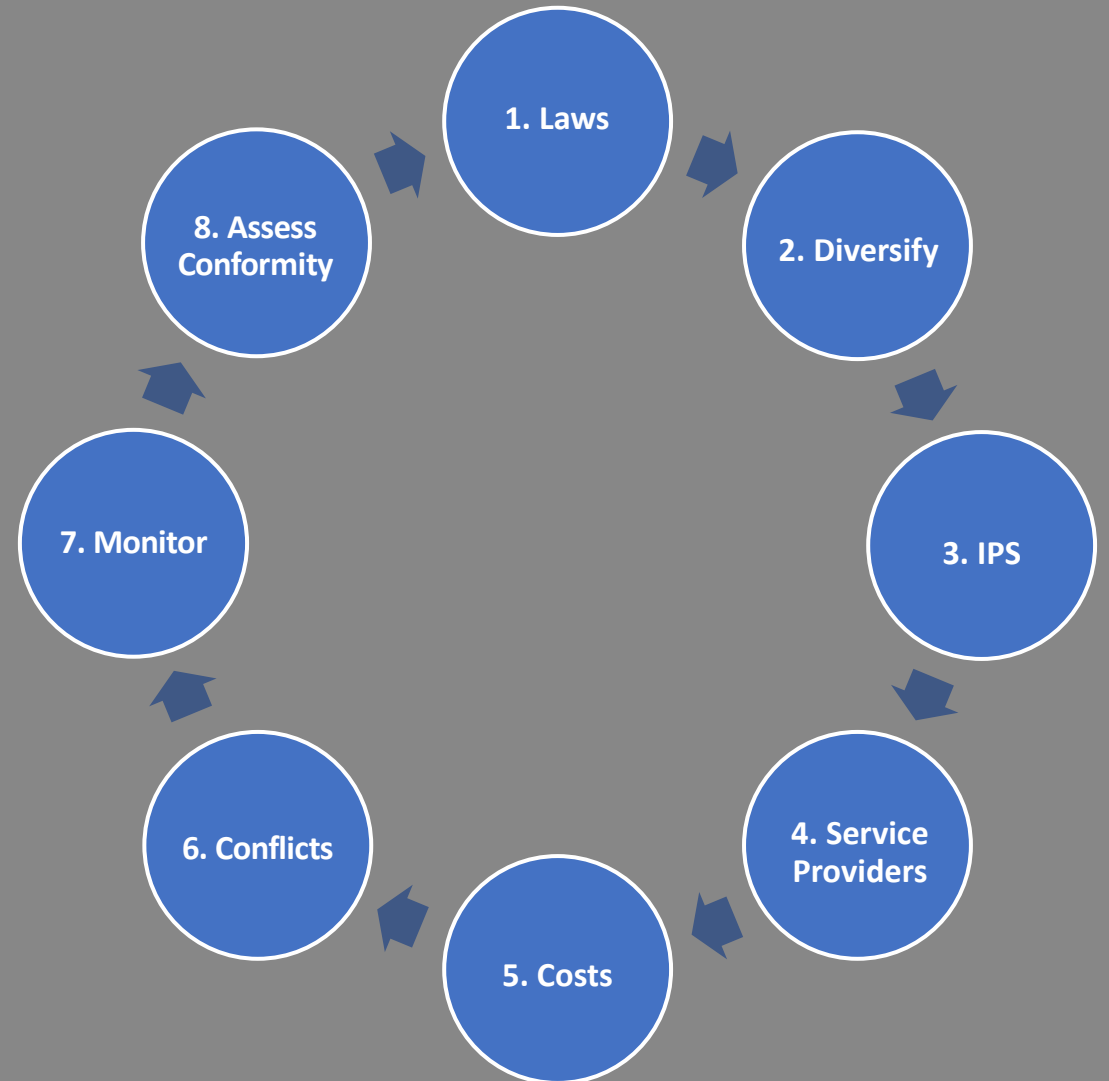
- Act with skill, diligence, and prudence
- Document material information and evidence of sound decision-making processes

Obedience

- Adhere to the mission of the organization
- Understand and obey applicable laws and regulations
- Follow governing documents including bylaws, the Investment Policy Statement (IPS), and trust

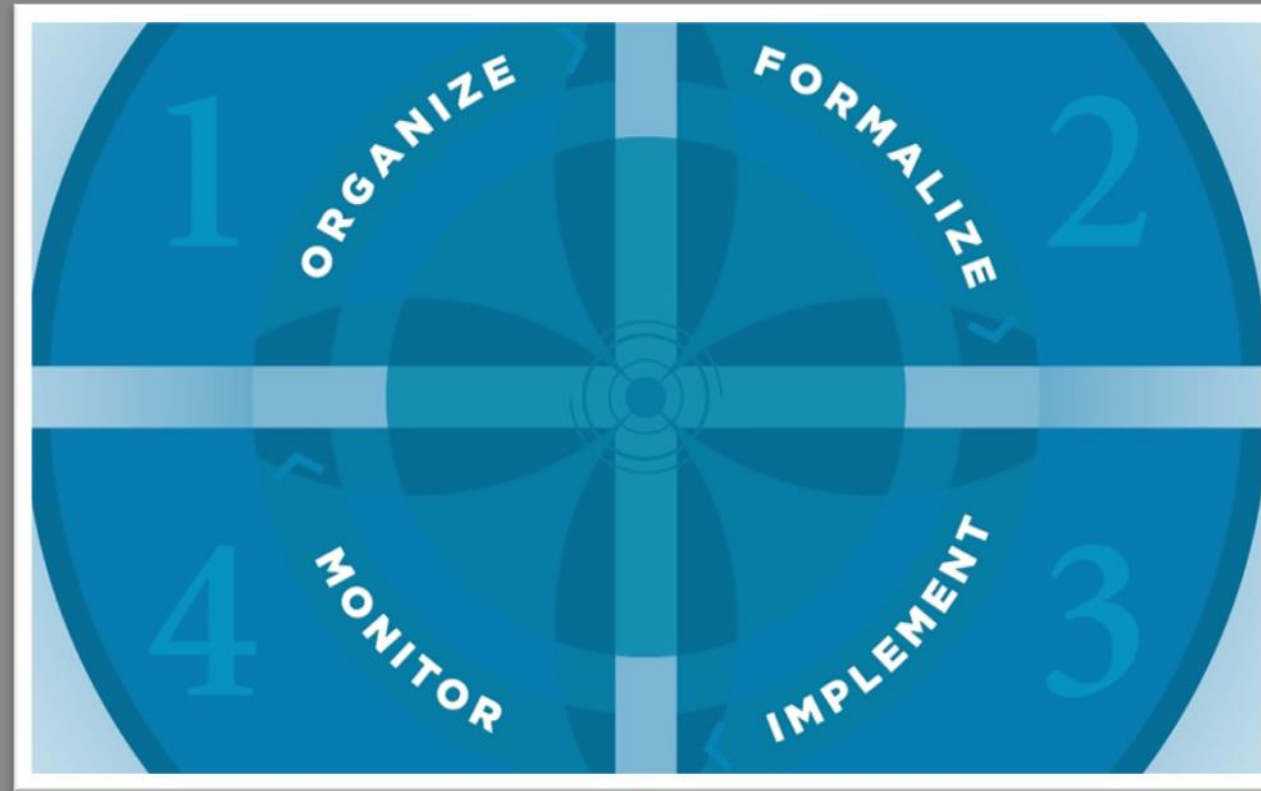
# 8 Ways to Get to Fiduciary

## 5. Use the Fiduciary Precepts



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## 6. The Fiduciary Quality Management System



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# 8 Ways to Get to Fiduciary

## 7. Ongoing Fiduciary Training

- Review fiduciary best practices for current and incoming leadership
- Many nonprofit leaders do not realize that they have legal liability for their fiduciary responsibilities
- *Most have never been shown how or what it takes to be a fiduciary*
- *Benefits of Knowledge: Better results for nonprofits led by enlightened fiduciaries—you!*



# 8 Ways to Get to Fiduciary

## 8. Fast Track to Fiduciary Excellence™

- Fiduciary Essentials Training
- Fiduciary Gap Analysis – Fiduciary Assessment
- Independent Third-Party Verification and CEFEX Certification



### PRUDENT PRACTICES FOR INVESTMENT STEWARDS



Fiduciary practices for persons who have the legal responsibility for managing investment decisions, such as trustees and investment committee members.



# 8 Ways to Get to Fiduciary



## Where Are You On the Fast Track to Fiduciary?

Resources FiduciaryPath™



Language of Nonprofit Fiduciaries™

<https://fiduciarypath.com/download-language-of-nonprofit-fiduciaries/>

Resources CEFEX



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Today we discussed:

1. Today's Realities—Some Background Information
2. Building a Fiduciary Culture
3. 15 Ways to Get to Fiduciary

# 8 Ways to Get to Fiduciary

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# 8 Ways to Get to Fiduciary



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# 8 Ways to Get to Fiduciary

A large, semi-transparent watermark of the Allodium Investment Consultants logo is visible in the background. It is a circular seal with a scalloped edge. The outer ring contains the text "ALLODIUM" at the top and "INVESTMENT CONSULTANTS" at the bottom, separated by dots. In the center of the seal is a large, stylized letter "A".

**Thank You**

## Special Offer Until January 31, 2023

FiduciaryPath will take \$100 off of the Board subscription price! \$2,399 instead of \$2,499.

All your board members, staff, leaders (up to 100) would have a year to complete the online course. When they complete the course, they get a letter from CEFEX and a certificate from FiduciaryPath, LLC.

# Resources



1. Fiduciary Assessments for Nonprofits: [https://www.cefex.org/downloads/marketing/BROCHURE\\_CEFEX\\_Fiduciary\\_Assess\\_NonProfit.pdf](https://www.cefex.org/downloads/marketing/BROCHURE_CEFEX_Fiduciary_Assess_NonProfit.pdf)
2. Nonprofit Steward SAFE 15 – shortened version of questionnaire: [https://www.cefex.org/safe15/steward\\_np](https://www.cefex.org/safe15/steward_np)
3. Self-Assessment of Fiduciary Excellence for Investment Advisors: [https://www.fi360.com/uploads/media/SAFE\\_advisor.pdf](https://www.fi360.com/uploads/media/SAFE_advisor.pdf)
4. Prudent Practices for Investment Stewards: [https://www.fi360.com/uploads/media/handbook\\_stewards\\_2020.pdf](https://www.fi360.com/uploads/media/handbook_stewards_2020.pdf)
5. Council on Foundations: <https://cof.org/>
6. CEFEX: <https://www.cefex.org/index.shtml>
7. Fi360: <https://www.fi360.com/>
8. Fiduciary Essentials for Advisors: <https://www.fi360.com/what-we-do/learning-development/fiduciary-essentials-for-advisors>
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