



February 27, 2025

TO: Principals, Deans, Academic Directors and Chairs
Divisional Business and Financial Officers via AMS listserv

RE: Endowment Payout Planning for Fiscal 2025

To assist with year-end planning, I am writing to provide a projected endowment payout rate for fiscal 2025. Subject to changes in investment markets over the final two months of the fiscal year, the net endowment payout for program spending will be \$9.94 per unit, excluding allocation for investment in fundraising capacity via the AIM program.

Beginning April 30, 2024, the University initiated a new Advancement Investment Model (AIM) to support divisional and university-wide priorities for growth in fundraising and engagement. The AIM assessment is set at 0.26% based on a target payout of 4% of the five-year average market value of the endowment. For 2025, this results in an AIM allocation of \$0.69 per unit. The University Advancement office will coordinate with Planning and Budget and each division to manage the allocation of funds generated via the AIM.

The total endowment payout of \$10.63 per unit, inclusive of AIM, represents a 6.6% increase over last year's payout rate. The increase in payout takes into account the following factors:

- From May to November 2024, LTCAP achieved an actual return of 10.0%. Given the current period of economic uncertainty, we have assumed a moderation of this return to 5.8% by the end of the fiscal year, which is aligned with our target rate of return of 4% plus CPI.
- The projected 6.6% increase in the payout rate for fiscal 2025 is intended to provide funding for increased operating costs due to the recent inflationary period, and to maintain the impact of program spending from endowments after accounting for additional investments in fundraising capacity via the Advancement Investment Model (AIM).
- The payout for program spending net of AIM is \$9.94 per unit, representing a compounded 2% annual increase compared to the 2023 payout level, prior to the introduction of AIM.

The gross payout of \$10.63 per unit for fiscal 2025 will represent 4% of the 5-year average market value of the endowment. This falls within the target 3% to 5% corridor for endowment spending in accordance with policy. The distribution will provide a total of \$135 million to beneficiaries and \$9 million to support the AIM program.

More information is available in the endowment annual financial report, which is accessible at <http://finance.utoronto.ca/reports/endowment/>. If you have any questions about the payout for this year, please contact Jenny Cheng, Manager of Restricted Fund Accounting at jenny.cheng@utoronto.ca. The annual payout for 2025 will be distributed by Friday, April 18, 2025.

Trevor Rodgers
Chief Financial Officer