

MONEYWISE

INVESTOR'S EDGE

Smart Giving

Foundation's strategy offers lessons for investors

"We make a living by what we get, but we make a life by what we give."

— Winston Churchill

JIM BURNS

CONTRIBUTING WRITER



I consider myself "smart money," as the saying goes, and I certainly hope the readers of this column do, too. Just about 11 years ago, I made what I consider to be a very smart money move: I set up a donor-advised fund at the

Central New York Community Foundation. In both investment and philanthropic terms, this fund has been a winner.

The Central New York Community Foundation has been serving as a trusted philanthropic advisor to individuals, families and businesses for more than 80 years. The popular service they provide is what is known as a donor-advised fund, which allows you to contribute cash or other assets to your account and receive a charitable tax deduction for doing so.

Inside: How to create a giving plan.
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The foundation pools your assets with other donors' and invest the money to grow over time. As a donor, you can give to the charity of

your choice, whenever you want. The key point is the donor-advised fund can build your philanthropic assets over time. This will provide you and your family a significantly enhanced opportunity to give to charities you care about, and to help the community prosper.

This, in my definition, is what investing is all about!

Peggy Ogden headed the foundation from 1984 through 2008. Under her stewardship, the foundation grew powerfully, from about \$5 million in assets to more than \$100 million. This growth is a testament to the foundation's investment performance and reputation.

Peter Dunn — who was a vice president at the California Community Foundation, in Los Angeles — came to Syracuse to lead the foundation just in time for the financial and stock market meltdown of 2008. Despite this, Dunn has been doing a wonderful job, and I know good managers when I meet them. I sat down with him recently to discuss how the foundation manages the assets entrusted to it and what local investors can learn from this.

According to Dunn, the foundation works with a national investment firm, Colonial Consulting Corp. Inc., and together with the foundation's finance committee, they employ a disciplined investment process. The primary goal is to preserve capital and achieve long-term returns that meet or exceed inflation and generate above-average performance.

The pooled assets are placed with both active investment managers and passive index



PETER DUNN, of Fayetteville, is president and chief executive officer of the Central New York Community Foundation.

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funds. The foundation funds have about 54.5 percent in equities, 22.3 percent in fixed income and 23 percent in alternatives, such as hedge funds and private equity. Within the equities, 23 percent of fund assets are in international stocks, with only 3 percent in emerging markets; in fixed income, 6 percent is in high-yield bonds, an attractive asset class should inflation heat up.

What can an individual investor learn?

Dunn believes that broad diversification has been key to the foundation's success. This includes both active and passive investment strategies, such as exchange-traded funds. It also employs various asset classes, such as small cap and international equities, high-yield bonds and Treasury Inflation Protection Securities (TIPS). While most retail investors cannot access high-quality, alternative investments, keep in mind that most of the foundation's \$100 million investment pool is in straightforward asset classes that any investor can access through ETFs.

Dunn also noted that the alternative investments that the foundation have are quite liquid, unlike many other well-known endowments that suffered far worse in the 2008 financial crisis.

The performance of the foundation has been excellent: net of all investment fees, they are a full 1.2 percent ahead of their benchmark over a 10-year period ending Dec. 31. On a \$100 million portfolio, that adds up to a lot of greenbacks.

For as little as \$2,500, an individual or business can begin a donor-advised fund and, over time, help make our hometown a richer place. We have many truly wonderful organizations — such as the Rosamond Gifford Zoo, Syracuse Symphony, WCNY, Salvation Army and more — that rely on generous donors to continue their great work.

A donor-advised fund with the Central New York Community Foundation can help make that happen. It is, indeed, "where the smart money gives."

Jim Burns is president of J.W. Burns & Co. The opinions expressed here are his and do not necessarily reflect those of The Post-Standard. Readers should do research before deciding on an investment. Reach him at jburns@jwburns.com.