Trends Facing Today's Charitable Organizations

How endowment spending, asset allocation and demographic shifts contribute to a dynamic (and challenging) environment for today's not-for-profits.

Public charities are the largest category of the 30-plus types of tax-exempt organizations defined by the Internal Revenue Code. In fact, this segment comprises nearly 59% of all not-for-profit organizations and accounts for more than three-quarters of total revenues and expenses.[1]

Trend 1: Managing Spending Amid Low Interest Rates

Regardless of annual revenues, charities actively monitor and manage expenses as well as focus on endowment growth strategies to meet their mission's related goals and objectives.

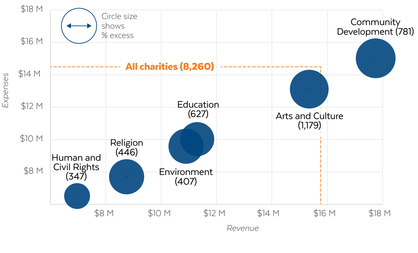
Main revenue sources:[2]

72% Program service revenue, including government fees and contracts

21% Contributions, gifts, government grants

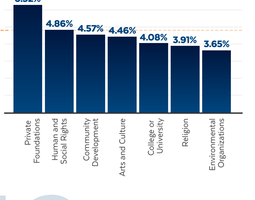
7% "Other" sources including dues and rental income

Some sectors leverage revenue better than others.[3]



The average spending rate among not-for-profits is 4.80%.

Private foundations have the *highest* annual spending rate, at 6.32%, while environmental organizations spend the *least*, at 3.65%.[4]

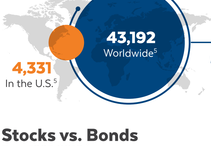


Trend 2: Staying the (Diversified) Course

Like many individual investors, charitable organizations may be wondering if diversification is the best approach in light of the recent outperformance by U.S. equities. But consider the following:

U.S. vs. International:

The number of actively traded public companies:



85%: The percentage of the world's population that is located in emerging markets[6]

Many foreign markets (including Australia, Russia, Brazil and the UK) offer dividend yields that are higher than the 2.23% average of the U.S. market[7]

Stocks vs. Bonds

From 1997-2016:[8]

Number of times **stocks** outperformed bonds: **14**

7.68%: Average annual stock performance

Number of times **bonds** outperformed stocks: **6**

5.29%: Average annual bond performance

Note: Returns for stocks and bonds, respectively, are based on the S&P 500 Index and the Bloomberg Barclays US Aggregate Bond Index

Trend 3: Donor Shifts

Increased giving activity, rising per capita income, demographic changes and new giving options via digital platforms should bode well for organizations' short-term outlook.

By the Numbers

$373.25 billion:

Total giving to charitable organizations in 2015[9]

3.6% Average increase in giving to charitable causes, 2010-2015[9]

2% Average GDP growth during the same time[9]

Projected annual change in per capita disposable income:

2.25% 2018[4]

2.50% 2020[4]

Demographics[10]

Women and people of color are projected to play an increasingly significant role in philanthropic efforts. Organizations should be mindful of this.

By 2025, women will account for **60%** of U.S. billionaires

By 2057, women will inherit **70% of $41 trillion** in inter-generational wealth

By 2050, the U.S. will reach a non-white majority

Modern Conveniences[11]

Overall online revenue grew by 14% in 2016

Not-for-profits gained an increased social media following in 2016:

Not-for-profit email lists grew by **10%** in 2016 and **16%** in 2015

Not-for-profits raised an average of **$36 for every 1,000 fundraising emails** sent in 2016

For more information
Contact your SunTrust relationship manager or investment advisor. You may also contact us by phone at 866.223.1499. Please visit us at www.suntrust.com/foundationsandendowments or www.suntrust.com/nonprofitinsights

SUNTRUST

[1] "The Nonprofit Sector in Brief 2015: Public Charities, Giving, and Volunteering," Oct. 29, 2015, Urban Institute
[2] "Quick Facts About Nonprofits," 2013, National Center for Charitable Statistics
[3] Sector Analyzer, 2017, Charity Navigator
[4] "The Current Landscape of Nonprofit Spending," 2013, SEI Investments Management Corporation,
[5] Listed domestic companies, 2017, The World Bank Group
[6] "The Role of Emerging Markets in a New Global Partnership for Growth," Feb. 4, 2016, International Monetary Fund
[7] "Dividend Yields by Countries," June 1, 2016, Dividend.com
[8] "20 years of the best and worst—a case for diversification," February 2017, MFS
[9] "Giving USA's 2017 Annual Report on Philanthropy"
[10] "On Philanthropy: Seven trends in philanthropy to expect in 2017," Jan. 8, 2017, The Denver Post
[11] "Benchmarks 2017," April 25, 2017, M+R

The information and material presented in this commentary are for general information only and do not specifically address individual investment objectives, financial situations or the particular needs of any specific person who may receive this commentary. Investing in any security or investment strategies discussed herein may not be suitable for you, and you may want to consult a financial advisor. Nothing in this material constitutes individual investment, legal or tax advice. Investments involve risk and an investor may incur either profits or losses. Past performance should not be taken as an indication or guarantee of future performance. SunTrust Bank and its affiliates and the directors, officers, employees and agents of SunTrust Bank and its affiliates (collectively, "SunTrust") are not permitted to give legal or tax advice. Clients of SunTrust should consult with their legal and tax advisors prior to entering into any financial transaction.

Securities and Insurance Products and Services: - Are not FDIC or any other Government Agency Insured - Are not Bank Guaranteed - May Lose Value

SunTrust Private Wealth Management is a marketing name used by SunTrust Bank, SunTrust Banks Trust Company (Cayman) Limited, SunTrust Delaware Trust Company, SunTrust Investment Services, Inc., SunTrust Advisory Services, Inc. and GenSpring Family Offices, LLC, which are each affiliates of SunTrust Banks, Inc. Banking and trust products and services, including investment management products and services, are provided by SunTrust Bank and SunTrust Delaware Trust Company

SunTrust Bank and its affiliates do not accept fiduciary responsibility for all banking and investment account types offered. Please consult with your SunTrust representative to determine whether SunTrust and its affiliates have agreed to accept fiduciary responsibility for your account(s) and you have completed the documentation necessary to establish a fiduciary relationship with SunTrust Bank or an affiliate. Additional information regarding account types and important disclosures may be found at **www.suntrust.com/investmentinfo.**

©2017 SunTrust Banks, Inc. SunTrust is a federally registered trademark of SunTrust Banks, Inc.