

## Investing during hard times with an eye on the future

### A letter from the Mary Reynolds Babcock Foundation

Dear Colleagues:

At kitchen tables and boardrooms across America, families, businesses and organizations are making decisions about declining assets and shrinking budgets. The Babcock Foundation is no exception. Between December 31, 2007 and January 31, 2009 the Foundation's total assets shrank by approximately 1/3, from a high of \$189 million to \$ 126 million.

**At its February meeting, the Mary Reynolds Babcock Foundation board stated its intention to maintain spending on new grants at the 2008 level (approximately \$7M) for the next three years, barring a further precipitous drop in the value of the Foundation's investment portfolio.** We will establish benchmarks and a process for internal vigilance on investment performance and spending. For 2010, we plan to hold our administrative spending as close to 2009 levels as possible.

**Helping people and places in the Southeastern US move out of poverty is the Babcock Foundation's mission.** We understand that poverty is a persistent problem with complex causes that will not be solved in a few years, or probably in our lifetimes. Our dual goals are to help as many people as possible now to stay out or get out of poverty, and also to build capacity in our region for future impact on poverty. With multiple and diverse partners over many years, we have helped to build many of the local, statewide and regional organizations and networks that constitute the present infrastructure for advocacy and action related to poverty. The current deep economic recession and profound political and social re-forming of America will test this infrastructure. The people and communities served by these organizations were never well-connected to the dominant economy, so they are now dealing with the double-whammy of historic disinvestment and deep recession. **Now is not a time to cut back investments in these communities.**

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#### *How we determine spending*

*Spending at the Babcock Foundation is guided by internal policies and federal laws, both linked to the value of our assets that are invested in a diversified portfolio with significant holdings in the stock market. We consider the IRS-mandated payout of roughly 5% of foundation assets to be a floor for our spending. Our internal policy allows annual spending up to 5.5% of a twelve-quarter rolling average of total assets. This spending policy is designed to prevent significant fluctuations in spending and at the same time preserve the value of the Foundation's assets into the future.*

*Like other foundations that operate with similar spending policies, our internal spending allowance dropped only slightly for 2009. The big hit to spending allowances—and therefore to new grants—would come in 2010 and 2011 without a rapid recovery on Wall Street.*

*The Babcock Foundation board is suspending our internal spending policy for the time being in order to maintain as consistent and high level of grants as possible without unduly eroding the Foundation's long-term spending capacity.*

Several principles guide our thinking about maintaining the Babcock Foundation's current level of grants and staying the course we have charted.

- We will stick to our mission and values. Our analysis has always been that poverty is a persistent problem requiring long-term, structural solutions along with individual action.
- We will stay focused on keeping and moving people and places out of poverty. We respect other philanthropic responses to people's immediate needs for food, clothing and shelter. But we will stay focused on activities that hold the most promise for building human, financial and social resources that help people stay or get **out** of poverty.
- We will remain intentional and strategic as we adapt to a changed environment with fewer financial resources. "Strategic" does not mean having a linear three- to five-year plan; it means being intentional and adaptive. It means making smart and timely choices to get the outcomes we and our partners seek.
- We will identify opportunities for impact on moving people and places out of poverty. We will invest more in organizations and networks that are getting results now and building toward future impact.
- We will look to the future. New opportunities for impact may emerge from crisis and a changing economic, social and political environment. We will invest in adaptive, innovating infrastructure organizations and networks that hold promise for long-term impact on poverty.
- We will invest in building partnerships and networks where smart collective action accomplishes more than individual entities can alone.

In our hearts, we are realistic optimists. We believe that new opportunities for moving people and places out of poverty can be born from crisis if we face it with clear-eyed realism mixed with healthy doses of creativity, optimism and compassion. We deeply appreciate our steadfast partners in this work.

Gayle Williams  
Executive Director  
Mary Reynolds Babcock Foundation