



OMNIA
FAMILY WEALTH

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Philanthropy at Five Percent

The rate that changed the question

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PHILANTHROPY AND FAMILY WEALTH PLANNING



- For much of the past fifteen years, near-zero rates quietly shaped how American philanthropy worked.
- Private foundations generally face an annual payout requirement of roughly 5% of investment assets.
- At today's yields, some families may separate capital for today's giving from capital meant to preserve tomorrow's purchasing power.
- The question is no longer just how to earn enough to fund the payout. It is what the family is actually trying to do.

WHAT ARE WE ACTUALLY TRYING TO DO?

Give more today, give forever, or spend down?
Higher rates do not answer that question.
They expose it.

1

ONE FOUNDATION, TWO JOBS

Higher rates expose the real philanthropy question

A 5% yield may make the near-term payout easier to fund. It does not automatically make the institution permanent in real terms.

Assign the payout and the future to different pools

A nominal 5% return does not make a 5% payout perpetual. If inflation runs at 3%, the same nominal grant budget buys less every year.

THE JOBS ARE DIFFERENT

01

PAYOUT SLEEVE

High-quality fixed income may support the near-term grant budget and reduce the need to sell growth assets when markets are weak.

02

GROWTH SLEEVE

Equities and alternatives may help maintain purchasing power and sustain the mission over decades.

PERPETUITY STILL REQUIRES GROWTH.

One portfolio has been asked to satisfy two objectives

Consider a hypothetical family foundation. It holds about \$50 million. The founder created it after selling a family business, and today the children hold most board seats. This example does not represent any actual client.

\$50M

FOUNDATION ASSETS

70/30

STOCKS / BONDS

\$2.5M

APPROX. ANNUAL PAYOUT

THE REAL DISAGREEMENT

01

GIVE MORE NOW

One generation wants the foundation to put more capital to work today, while needs feel urgent and visible.

02

ENDURE FOR GENERATIONS

The founder wants the family name and philanthropic institution to remain intact for future generations.

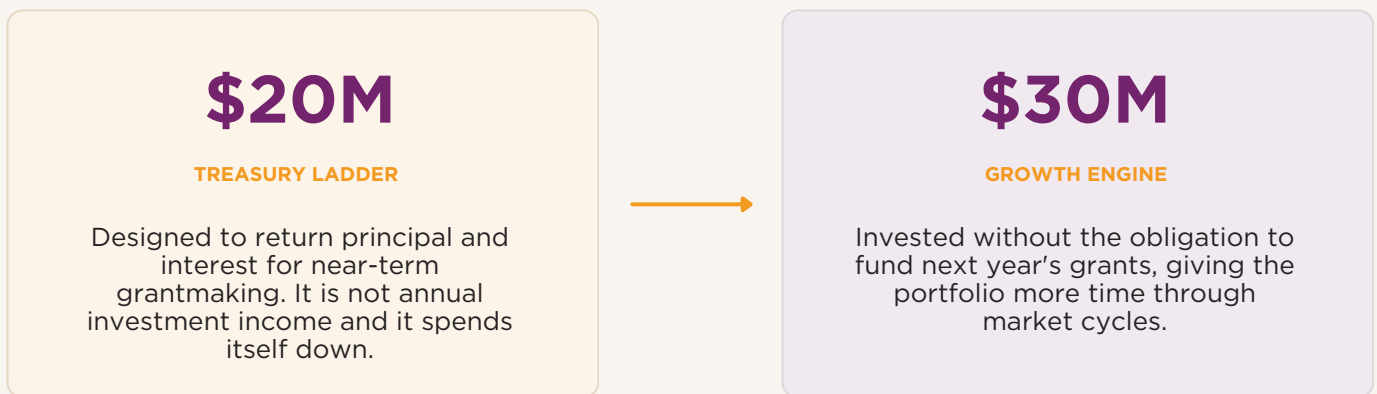
The portfolio has been asked to do both jobs at once.

The above is hypothetical and for illustrative purposes only. This is not a guarantee of future results, and actual results may vary materially. Hypothetical results do not represent actual client performance and are subject to market conditions, fees, expenses, and other factors.

At current yields, each job may get its own structure

For illustration, the family could allocate roughly \$20 million to a Treasury ladder designed to return approximately \$2.6 million a year in principal and interest for much of the next decade. The remaining \$30 million becomes the long-term growth engine.

ILLUSTRATIVE STRUCTURE



WHAT THE STRUCTURE BUYS

Time. The growth portfolio may be less likely to become a forced seller simply because grants are due during a market downturn.

The ladder is not a perpetual-motion machine. The board may periodically use gains from the growth sleeve to replenish the payout sleeve.

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A \$50M FOUNDATION PAYING OUT 5%: WHAT THE GRANTS BUY

A 5% payout still has to account for inflation



The structure does not repeal arithmetic. Keeping grants flat in real terms would require a total return of about 8% - inflation plus the payout.

Hypothetical illustration for informational purposes only. Numbers are for illustrative purposes only. Assumes a \$50 million foundation paying out 5% of assets each year, 3% annual inflation, Treasuries returning 5% and a growth sleeve returning 7.5%, with the split portfolio rebalanced to 40% Treasuries and 60% growth assets. Grants shown in 2026 dollars. Not a recommendation or projection; actual results will differ.

Reinvestment risk is real and should be considered

A Treasury ladder may help address the payout problem at today's rates, but bonds mature. If yields fall materially, maturing securities may have to be reinvested at lower rates.

01 **SIZE THE PAYOUT SLEEVE TO THE JOB**

Avoid making the entire portfolio safe simply because the near-term grant budget needs stability.

02 **USE ENOUGH DURATION**

Sufficient duration may help reduce exposure to a near-term rate reversal.

03 **AVOID A SINGLE MACRO FORECAST**

Inflation, fiscal dynamics and heavy Treasury issuance could keep rates higher, but future rates are uncertain. The strategy is designed to help mitigate risk under multiple market scenarios.

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Rates and new tax rules may change the illustrations

Higher rates have a second, less obvious consequence: some charitable planning tools look different than they did a few years ago. Families should not assume that an illustration run in 2021 still gives the right answer today.

01

SECTION 7520 RATE

Higher rates may materially change the value of certain split-interest gifts.

02

2026 DEDUCTION FLOOR

Under current rules, itemizers generally may deduct charitable gifts only to the extent they exceed 0.5% of AGI.

03

BUNCHING GIFTS

Concentrating several years of giving may clear the floor more efficiently than steady annual gifts.

THE BOTTOM LINE

None of this should drive a family's philanthropy. But it may change the math on timing, vehicle selection and whether old planning assumptions still hold.

What has changed, and who we believe should revisit it

CRAT

Higher Section 7520 rates may change the calculated charitable remainder value for certain CRAT designs; illustrations should be rerun under current IRS assumptions.

Older donors seeking fixed, predictable lifetime income.

CRUT

Less directly affected by Section 7520; higher yields may make a given payout easier to fund without eroding principal.

Families with concentrated appreciated assets already considering one.

CLAT

May be less compelling for new wealth-transfer planning because assets must outperform a higher hurdle rate.

Families considering new transfer structures; existing trusts should be reviewed.

PRIVATE FOUNDATION

Higher safe yields could potentially make annual payout easier to fund and allow clearer separation of grants and growth.

Families that value governance, control and a named institution.

DONOR-ADVISED FUND

Simplicity remains its advantage. The new deduction floor may make bunching gifts more valuable.

Families prioritizing simplicity, anonymity or bunching.

The appropriate structure still depends on each family's tax, estate, liquidity and charitable circumstances. Illustrations should be rerun with qualified attorneys and tax advisors.

Three practical planning conversations

01**PRIVATE FOUNDATION**

Clarify whether you are building for perpetuity or spend-down. Then consider building the portfolio around that decision. Review whether the investment policy statement reflects today's rate environment.

02**DONOR-ADVISED FUND**

Revisit why you chose it. If simplicity, anonymity or bunching was the objective, those advantages remain. If avoiding the investment burden of a private foundation was the reason, the calculation may be worth revisiting.

03**MAJOR NEW GIFT**

Consider rerunning the numbers under today's rates and the 2026 deduction rules before choosing the vehicle. Structures that looked unattractive in the zero-rate era may deserve another look.

Old illustrations may no longer answer today's question.

The answer is a family decision first

FAMILIES THAT CHOOSE PERPETUITY

- A foundation may require multiple generations to make consequential decisions together.
- It may help preserve a founder's values and judgment after the founder is gone.
- Some causes need patient capital decades from now as much as they do today.

FAMILIES THAT SPEND DOWN

- The need may be more urgent today.
- A dollar granted now may prevent a problem that costs far more later.
- Founders may want to see the results and make difficult decisions personally.

THE CHOICE CAN BE BLENDED

A family may choose to endow one priority in perpetuity while spending down on another. What matters is that the family actually chooses.

The portfolio can then be built around the answer, not the other way around.

A foundation is rarely just a foundation

For many families, philanthropy sits at the intersection of the investment plan, estate plan, tax plan and the unwritten plan for how the family will make decisions together.



WHY STRUCTURE MATTERS

With clear roles, a written mission and a credible way for younger family members to participate, philanthropy may become a training ground for stewardship. Without those structures, it may become the place where unresolved disagreements about wealth, legacy and control are fought by proxy.

Consider starting at the board table rather than with the portfolio.

Five questions for your next board meeting

- 01 When did we last decide, on the record, whether this foundation is intended to be perpetual or spend down?
- 02 Does our investment policy statement reflect today's rate environment - or the zero-rate world in which it was written?
- 03 If the next ten years of grants were already funded, how would we invest the rest of the foundation?
- 04 Are we measuring success by how much we give away, what our grants accomplish, or how long the institution survives?
- 05 Which of our current philanthropic vehicles was chosen because of the rate or tax environment at the time - and should we revisit it?

CONCLUSION

A rate cannot answer the question.

At 5%, a foundation may choose more near-term stability or a strategy aimed at permanence. For the first time in a generation, those may be different choices, with different portfolios behind them.

The harder conversation is not about bonds or stocks. It is about whether the family would rather do more now or exist longer, whether the founder's intent should carry forward for generations, and whether the third generation will care about any of this at all.

It can only force a family to ask it.

Right now, families have a potentially good window to do exactly that.

Sources are provided for factual references. Portfolio, planning and vehicle-selection commentary reflects Omnia analysis and should be read with the Important Information that follows.

1. TREASURY YIELD ENVIRONMENT

U.S. Department of the Treasury Daily Treasury Rates for September 2026. The 10-year Constant Maturity Treasury rate was 5.00% on Sept. 15, 2026 and 5.01% on Sept. 16, 2026; used to support the five-percent rate context and the Treasury ladder assumption.

https://home.treasury.gov/resource-center/data-chart-center/interest-rates/TextView?field_tdr_date_value=202609&type=daily_treasury_yield_curve

2. PRIVATE FOUNDATION PAYOUT / MINIMUM INVESTMENT RETURN

Internal Revenue Service, Minimum Investment Return. The IRS defines the minimum investment return for a private foundation as 5 percent of the relevant asset base, subject to the statutory calculation and exclusions.

<https://www.irs.gov/charities-non-profits/private-foundations/minimum-investment-return>

3. HYPOTHETICAL FOUNDATION MODEL AND CHART

Omnia hypothetical illustration. Assumes a \$50 million foundation paying out 5% of assets each year, 3% annual inflation, Treasuries returning 5%, a growth sleeve returning 7.5%, and a 40/60 Treasury/growth split rebalanced over time.

4. REINVESTMENT RISK AND RATE SENSITIVITY

Omnia analysis based on bond maturities, reinvestment mechanics and rate-sensitive portfolio construction. No future interest-rate path is guaranteed, and any plan should not depend on a single macro forecast.

5. SECTION 7520 RATE

Internal Revenue Service, Section 7520 Interest Rates. For September 2026, the 120% applicable federal midterm rate was 5.40% and the Section 7520 interest rate was 5.4%.

<https://www.irs.gov/businesses/small-businesses-self-employed/section-7520-interest-rates>

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6. SPLIT-INTEREST GIFT VALUATION

Internal Revenue Service Actuarial Tables. IRS guidance states that actuarial tables use the Section 7520 rate to value annuities, life estates, remainders and reversions; used for split-interest gift valuation and the CRAT, CRUT and CLAT planning discussion.
<https://www.irs.gov/retirement-plans/actuarial-tables>

7. CHARITABLE REMAINDER TRUSTS

Internal Revenue Service, Charitable Remainder Trusts. The IRS describes CRATs as paying a fixed dollar amount and CRUTs as paying a percentage of annually valued trust assets; charitable deductions depend on the present value of the charitable remainder interest.
<https://www.irs.gov/charities-non-profits/charitable-remainder-trusts>

8. 2026 CHARITABLE DEDUCTION FLOOR

Internal Revenue Service update to 2026 Form 1040-ES (NR), reflecting 2026 tax-law changes. The IRS states that, beginning in 2026, taxpayers can deduct charitable contributions only to the extent they exceed 0.5% of adjusted gross income.
<https://www.irs.gov/forms-pubs/updates-to-the-2026-form-1040-es-nr>

9. DONOR-ADVISED FUNDS

Internal Revenue Service, Donor-Advised Funds. A donor-advised fund is generally a separately identified fund or account maintained by a Section 501(c)(3) sponsoring organization, where the donor retains advisory privileges over distributions or investments.
<https://www.irs.gov/charities-non-profits/charitable-organizations/donor-advised-funds>

10. PLANNING AND VEHICLE SELECTION

Omnia analysis. The appropriate philanthropic structure depends on each family's tax, estate, liquidity, investment and charitable circumstances. Families should consult qualified attorneys and tax advisors before acting.

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PHILANTHROPY AT FIVE PERCENT

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