

GiveWell Investment Policy - DRAFT

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Objective

This document establishes the policy and guidelines under which GiveWell can invest available cash balances in financial vehicles.

This policy will:

- Establish GiveWell's investment goals and constraints
- Specify available asset classes for investment
- Specify allowable financial instruments for investment

Glossary

- US Treasury Bills, Notes and Bonds: Debt issued by the US Treasury and guaranteed by the US Government
- Federal Agency Securities: Bonds issued by federal agencies (e.g. Government National Mortgage Association) backed by the full faith and credit of the US Government just like US Treasuries

- Money market mutual funds: funds that invest in debt securities with short durations and minimal credit risk (e.g. US Treasury bonds, Certificates of Deposit, etc)
- Certificates of Deposit: A type of savings vehicle offered by most banks with a fixed term and interest rate (e.g. 12 months at 1.2%)
- Issues: A debt “issue” refers to a financial obligation that allows the issuer to raise funds by promising to repay the lender at a certain point in the future and in accordance with the terms of the contract
- Maturity: refers to the period at which a debt comes due and the principal is repaid.

Scope

This policy applies only to GiveWell available cash balances as defined herein under Funds Available to Invest, not to other cash or assets it may possess.

Responsibility

The Director of Operations is responsible for the maintenance and revision of this policy. Further, the Director of Operations and their authorized delegates are responsible for securing and managing investments and cash for operations. These individuals have full discretion to invest available cash balances within the guidelines of this policy.

Investment Objectives & Priorities

GiveWell’s charitable operations focus on raising funds for projects of recommended charities and making grants of those funds to those charities. Because GiveWell raises funds that are subsequently granted out in the near term, GiveWell takes a very conservative approach to investing and prioritizes investments with high liquidity and low volatility. This ensures that the funds remain available for distribution and do not lose value. These lower risk investments are expected to generate lower returns than higher risk investments. In general, returns on investment are expected to be in line with high quality money market funds, Certificates of Deposit, or debt issuances by the US Government.

The primary objectives of GiveWell’s investment policy, in order of priority, are as follows:

- Preserve capital
- Meet liquidity requirements
- Minimize volatility
- Maximize after-tax return

Approved Investments

In accordance with the prior section Investment Objectives & Priorities, approved investments are as follows:

- Direct obligations of the U.S. Treasury, including Treasury Bills, Notes and Bonds.

- Federal Agency Securities which carry the direct guarantee of the U.S. Government.
- Money market mutual funds which offer daily purchase and redemption and maintain a constant share price.
- Certificates of Deposit with major U.S. commercial banks

Investment Constraints

Legal

The [New York Prudent Management of Institutional Funds Act](#) (NYPMIFA) applies to the investment and management of GiveWell's institutional funds, as defined in NYPMIFA.

Maturities

The maximum maturity of individual securities in the portfolio may not exceed twelve (12) months.

Concentration

Investments in individual issues shall not exceed \$2,500,000 at the time of investment, except for investments in the U.S. Government or any agency thereof.

Taxes

The income received from investments held by 501(c)(3) organizations is generally exempt from taxes under the same protection as other sources of revenue. The exception to this exemption is Unrelated Business Income Tax (UBIT), which would be incurred on revenue received from any securities or other assets purchased by way of debt financing. For example, revenue received from commercial real estate investments purchased using a mortgage would generally be subject to full income tax under the UBIT provisions. UBIT may also be incurred on revenue from investments in partnerships or other pass-through entities (including limited liability companies). Because of this exception to the tax exemption, GiveWell will generally avoid purchasing securities that would incur UBIT, and will consult tax advisors before purchasing securities to ensure this requirement has been met.

Funds Available to Invest

The portfolio of available cash balances to invest includes funds that GiveWell has received by any means, and are being held for the purpose of funding GiveWell operations or granting out (either at GiveWell's discretion or to top charities specified by donors). These funds can be broken into two conceptual buckets related to GiveWell's operating model:

1. Restricted funds to be granted out to charities. Restricted funds include:
 - a. Funds to be granted out at GiveWell's discretion
 - b. Funds to be granted to a charity specified by donor

2. Unrestricted funds. Unrestricted funds include:
 - a. Funds to support the GiveWell operating budget over the next 12 months
 - b. Unrestricted funds in excess of (2a) that are subject to GiveWell's excess assets policy

Both Restricted (1) and Unrestricted (2) funds are available to invest with the following restrictions:

- Restricted funds can be invested provided that the maturity date of the asset is 15 days or more prior to the expected grant date (e.g. funds expected to be granted out in 60 days may only be invested in assets with maturities of 45 days or less)
- GiveWell must keep at least 3 months of Unrestricted funds on hand in a deposit account (business checking or savings) with its primary bank (currently Chase Bank).

Miscellaneous

GiveWell may utilize the services of a professional investment management firm to assist in or manage excess cash in accordance with this Investment Policy.

Brokerage houses and banks will provide safekeeping services. All brokers and banks will be provided with a copy of this Investment Policy and a list of representatives of GiveWell authorized to invest on behalf of the Company.

Remedy

Failure to comply with the requirements of this policy can result in discipline deemed appropriate, up to and including termination for severe violations such as egregious misallocation of funds.

Point Of Contact

Director of Operations

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