RSO Longevity Fund

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Western Michigan University

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RSO Longevity Fund

Presentation Outline

• Introduction
• Hypothesis
• Current System
• Alternative Investment Solutions
• Conclusion

About Martin Walker II

• WMU 2023 Grad
• Majored in Finance & Leadership and Business Strategy
• Served as Director for Diversity and Inclusion for SBMA
• Served as President for Phi Chi Theta
• Served as Director of Finance and WSA Rep for Alpha Phi Alpha Fraternity Inc

Hypothesis

• My Hypothesis is that the current system for how RSO’s receive and maintain funding is a flawed system that needs vast improvements across the Board with areas specifically being: How funds are Created/Originated and how RSO’s should Invest/Maintain their funding.
• Throughout the following slides I will showcase how funds are created and then provide an alternative investment source that will allow RSO’s to place created money into an alternative source that can produce Higher returns than the WMU Endowment while also providing more control over the use of the funds generated.

Current System (How RSO’s Get Funding)

Dues / Contributions from Members

• Pros
  o Can provide consistent income for an RSO.
  o Motivates Members to participate in various RSO activities.
  o Has less restriction than other sources of funding
• Cons
  o Can provide consistent income for an RSO.
  o Motivates Members to participate in various RSO activities.
  o Has less restriction than other sources of funding

WSA Funding – College Provided

• Pros
  o Can Provide a substantial amount of funding due to WSA Funding limits.
  o Allows for equal distributions of Funds throughout different RSO’s.
• Cons
  o Strict Rules regarding getting approved for funding and Deadlines for funding applications.
  o The reimbursement process is a pain for many RSO and Local Businesses due to time constraints.
  o Subjective to Approval by WSA Board of Directors
Sponsors

- Pros
  - Can provide a large source of funding.
  - Has the ability to provide more than just money?
  - Can boost the overall perception of an RSO.

- Cons
  - Funds can come with Stipulations or Various requirements.
  - Funds are not guaranteed yearly.
  - RSO can become reliant on them.

WMU Endowment Fund

- Pros
  - Has a massive Pool of investment Dollars from 100s of Donors?
  - Is currently invested in many different asset classes such as real estate, private equity and stocks.

- Cons
  - Has a 4.5% spending policy for investments held in the fund.
  - Has a $30,000 minimum investment

WMU Endowment Fund – Financial Summary

Investment Solutions

Fundrise – Crowdfunding Real Estate

- Pros
  - Can set Passive Income Goals
  - Invest in Real Assets
  - Take Advantage of Appreciation and Quarterly Distributions
  - 1% Management Fees (Additional for some Accounts)

- Cons
- Cannot pull out principle as fast as other choices.
- They are not FDIC (Federal Deposit Insurance Corporation) Insured
- They are not SIPC (Securities Investor Protection Corporation) Insured
- Better fit for bigger RSO’s looking to park money in long-term assets.

Fundrise Investment Track

<table>
<thead>
<tr>
<th>Fundrise (all clients)</th>
<th>Public REITs (all U.S. REITs)</th>
<th>Public stocks (S&amp;P 500)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.59%</td>
<td>1.49%</td>
<td>7.50%</td>
</tr>
<tr>
<td>1.50%</td>
<td>-25.10%</td>
<td>-18.11%</td>
</tr>
<tr>
<td>22.99%</td>
<td>39.88%</td>
<td>28.71%</td>
</tr>
<tr>
<td>7.31%</td>
<td>-5.96%</td>
<td>18.40%</td>
</tr>
<tr>
<td>9.16%</td>
<td>28.07%</td>
<td>31.49%</td>
</tr>
<tr>
<td>8.81%</td>
<td>-4.10%</td>
<td>-4.38%</td>
</tr>
<tr>
<td>10.63%</td>
<td>9.27%</td>
<td>21.83%</td>
</tr>
</tbody>
</table>
Fundrise Investment Strategies

Fundrise: Income Real Estate Fund

Vanguard Dividend Appreciation ETF (VIG)

- Pros
  - Liquidity
Investments are in a wide variety of companies.
- Has stable returns and produces dividend income.
- Easy to invest in as an organization.

**Cons**
- Must be managed by a member of the organization.
- More likely to have uncontrolled withdrawals from the fund account.
- More prone to market movements and events.

**VIG – Top 5 Stock Holdings**

<table>
<thead>
<tr>
<th>Stock</th>
<th>Company Name</th>
<th>Ticker</th>
<th>Price</th>
<th>Market Value</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSFT</td>
<td>Microsoft Corporation</td>
<td>594918104</td>
<td>2588173</td>
<td>4.47%</td>
<td>12,035,021</td>
</tr>
<tr>
<td>AAPL</td>
<td>Apple Inc.</td>
<td>037833100</td>
<td>2046251</td>
<td>4.24%</td>
<td>19,972,906</td>
</tr>
<tr>
<td>XOM</td>
<td>ExxonMobil Corporation</td>
<td>30231G102</td>
<td>2326618</td>
<td>3.27%</td>
<td>23,171,380</td>
</tr>
<tr>
<td>UNH</td>
<td>UnitedHealth Group Inc.</td>
<td>91324P102</td>
<td>2917766</td>
<td>3.20%</td>
<td>5,257,122</td>
</tr>
<tr>
<td>JNJ</td>
<td>Johnson &amp; Johnson</td>
<td>478160104</td>
<td>2475833</td>
<td>2.94%</td>
<td>14,710,211</td>
</tr>
</tbody>
</table>

**VIG – Financial Track Record (5 – Year Period)**

Vanguard Dividend Appreciation Index Fund ETF Shares

<table>
<thead>
<tr>
<th>Year Ended January 31</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Asset Value, Beginning of Period</td>
<td>$157.15</td>
<td>$155.38</td>
<td>$154.09</td>
<td>$157.15</td>
<td>$386.05</td>
</tr>
<tr>
<td>Investment Operations</td>
<td>2.736</td>
<td>2.756</td>
<td>2.714</td>
<td>2.048</td>
<td>1.961</td>
</tr>
<tr>
<td>Dividends from Net Investment Income</td>
<td>(2.663)</td>
<td>(2.297)</td>
<td>(2.134)</td>
<td>(2.028)</td>
<td>(1.161)</td>
</tr>
<tr>
<td>Distributions from Realized Capital Gains</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total Distributions</td>
<td>(2.663)</td>
<td>(2.297)</td>
<td>(2.134)</td>
<td>(2.028)</td>
<td>(1.161)</td>
</tr>
<tr>
<td>Net Asset Value, End of Period</td>
<td>$182.69</td>
<td>$157.15</td>
<td>$155.38</td>
<td>$154.09</td>
<td>$157.15</td>
</tr>
<tr>
<td>Total Return</td>
<td>26.71%</td>
<td>11.44%</td>
<td>20.68%</td>
<td>(3.87%)</td>
<td>18.10%</td>
</tr>
</tbody>
</table>

**Vanguard Dividend Appreciation Index Fund ETF Shares**

- Year Ending January 31
- For a Share Outstanding Each Period

<table>
<thead>
<tr>
<th>Year</th>
<th>Starting Amount</th>
<th>Annual Contribution</th>
<th>Total Contributions</th>
<th>Interest Earned</th>
<th>Total Interest Earned</th>
<th>End Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023</td>
<td>$1,000</td>
<td>$250</td>
<td>$1,250</td>
<td>$20</td>
<td>$70</td>
<td>$1,270</td>
</tr>
<tr>
<td>2024</td>
<td>$1,000</td>
<td>$250</td>
<td>$1,250</td>
<td>$25</td>
<td>$44</td>
<td>$1,364</td>
</tr>
<tr>
<td>2025</td>
<td>$1,000</td>
<td>$250</td>
<td>$1,250</td>
<td>$30</td>
<td>$74</td>
<td>$1,384</td>
</tr>
<tr>
<td>2026</td>
<td>$1,000</td>
<td>$250</td>
<td>$1,250</td>
<td>$30</td>
<td>$110</td>
<td>$2,230</td>
</tr>
<tr>
<td>2027</td>
<td>$1,000</td>
<td>$250</td>
<td>$1,250</td>
<td>$41</td>
<td>$151</td>
<td>$2,401</td>
</tr>
</tbody>
</table>
Conclusion

- I concluded that the Two investment options presented in this presentation are better solutions for a long-term income solution to RSO due to:
  - The ability to create distributions 4% - 6% passive income which is equal to the maximum amount that the Endowment Fund allows.
  - The flexibility of the fund as it is managed by professionals and students.
- **Disclaimer:** There are many funds that provide different sources of income through distributions and appreciation.
  - I picked the best 2 that I have experience using and are familiar with.
  - The overall returns will depend on the risk tolerance of the organizations as well as their ability to withhold from taking from the fund.