How to Choose an Advisor for Your Nonprofit Board Fund or Endowment

Most nonprofit boards aren't making investment decisions on their own anymore — and for good reason.

- **85%+** of institutional investors now work with an advisor or consultant
- More than **70%** rely on them specifically to help select investment managers

A Simple Reality

Most nonprofits aren't doing this alone — working with an advisor is the norm. Oversight is still yours—but execution increasingly requires specialized expertise.

The challenge isn't whether to hire one — it's choosing the right fit.

Why Boards Are Feeling More Pressure

Today's environment is more complex than it used to be:

- Markets are more volatile
- Investment options are more complex
- Stakeholders expect stronger governance and transparency
- And decisions often involve multiple perspectives across the board

At the same time, nonprofit boards are balancing:

- Limited time
- Varying levels of financial expertise
- Increasing fiduciary responsibility

What This Means for Your Board

This isn't about handing over control.

It's about:

- Making better-informed decisions
- Avoiding unnecessary risk or missed opportunities
- Creating a structured, repeatable process
- And ultimately, better supporting your mission over the long term

The Opportunity

Done well, working with the right advisor can:

- Bring clarity to complex decisions
- Strengthen board confidence and alignment
- Improve long-term financial outcomes
- Free up your board to focus on mission — not market noise

Transition into the Guide

The question isn't whether your organization should work with an advisor.

It's how to choose the right one—thoughtfully, efficiently, and with confidence. Here's a simplified, practical approach we use with nonprofit clients.

Start with Your Role as a Board Member

Before diving into advisor selection, clarify your role.

- Your job is oversight — not day-to-day management
- Strong boards ask good questions and set direction
- Investment decisions are typically delegated to a committee and advisor

A healthy process balances:

- Financial expertise (finance/investment professionals)
- Fresh perspective (members who ask clarifying questions)

Step 1: Align on Investment Goals

Before speaking to any advisor, get clear internally.

Discuss and document:

- **Purpose of the funds**
    - Operating reserves? Endowment? Both?
- **Time horizon**
    - What is short-term (0–3 years) vs. long-term?
- **Upcoming needs**
    - Capital projects, systems upgrades, etc.
- **Spending expectations**
    - Will the portfolio support annual distributions?

Tip: The more clarity you have up front, the more productive your advisor conversations will be.

Step 2: Define What You Actually Need

Every nonprofit is different. Be explicit about your priorities.

Key areas to define:

1. Advisory services

- Investment policy statement (IPS)
- Asset allocation and portfolio management
- Cash flow and spending analysis

2. Board & staff education

- Do you want training for your board or leadership team?

3. Fees

- What are you paying today (if applicable)?
- Are you open to fee-only or fiduciary advisors?

4. Investment approach

- Passive vs. active strategies
- Mission-aligned or ESG investing
- Target return expectations

5. Service model

- Frequency of meetings
- In-person vs. virtual support
- Responsiveness and accessibility

6. Values & fit

- Nonprofit experience
- Fiduciary commitment
- Diversity and perspective
- Partner mindset vs. transactional vendor

Step 3: Create a Realistic Timeline

A typical process takes **3–6 months**, sometimes longer depending on board cadence.

Example flow:

- Define goals and priorities
- Develop advisor criteria
- Issue RFI/RFP
- Review responses
- Interview finalists
- Make selection and onboard

Keep it moving: Delays often come from unclear ownership or too many decision-makers.

Step 4: Run a Thoughtful Search Process

There are a few common approaches — each with tradeoffs:

Referrals only

- ✅ Efficient
- ⚠️ Can limit diversity and fresh perspectives

Invitation-only RFP

- ✅ Controlled process
- ⚠️ May miss emerging or specialized firms

Open RFP (recommended)

- Post on your website
- Share with professional networks (CFA societies, FPA chapters, nonprofit partners)

Best practice: Cast a wider net to avoid "groupthink" and uncover better-fit advisors.

Step 5: Evaluate and Narrow Down

Make it structured and efficient:

- Assign committee members to review proposals
- Build a simple comparison matrix
- Narrow to 2–3 finalists

For finalist presentations:

- Keep to 15–20 minutes
- Assign a meeting facilitator ("host")
- Capture follow-up questions separately

Step 6: Make the Decision (Without Groupthink)

Final decisions can stall if not handled carefully.

To keep things objective:

- Have each member rank finalists independently first
- Then discuss as a group
- Follow your conflict-of-interest policy strictly

If required:

- Select a finalist pending board approval
- Finalize contract and begin onboarding

A Better Way to Think About This Process

The biggest mistake we see:
➡️ Boards rush to evaluate advisors before aligning internally.

The strongest outcomes happen when you:

- Clarify goals first
- Define what success looks like
- Run a structured, inclusive process

Call to Action

If your board is considering a new advisor — or wants a second opinion — we're happy to help you think it through.

👉 Explore resources or connect with our team:
www.fairlightadvisors.com/contact