On Feb 12, 2018, at 4:56 PM, Paul Deschaine <Pdeschaine@StrathamNH.gov> wrote to the Trustees of the Trust Funds:

Hi all,

In case I miss you during your meeting scheduled for today, I have a question on behalf of the Study Committee charged with evaluating the desirability of accepting the Smyk property bequest. As part of the bequest, there is a $300,000 endowment given to the Town from which the investment income can be used to operate and maintain property. The question is how much annual income can we reasonably expect from such an endowment. Obviously it will go up and down based on interest rates and the market invested in. No one will hold you to an exact amount, but the Committee needs to know an order of magnitude amount that can annually be expected to offset the total cost. Everyone involved believes that income amount will be way below the operating costs, but no one knows by how much.

Can the Trustees help in this matter?

Paul

Excerpt of Diane Morgera's response dated February 13, 2018:

The answer to your question is, as you said, pretty speculative and depends on the time frame. For the sake of this discussion, I am assuming at least a 10-year time frame. If we invest $300,000.00 in a conservative portfolio of mutual funds in accordance with our investment policy, with a small portion kept in a money market for paying bills, I think we could reasonably expect to generate returns between 8.5 and 12.5 percent. As an example, the benchmark S&P 500 index has returned 26% over the previous year, 16% for five years, and 10% over ten years.

Over a longer time, this would grow considerably. Compounding of interest and distributed capital gains would likely cause the original $300,000 basis to grow, thus generating more income and so on. And of course, if the property was used to generate income, that could be added to the mix as well. So, in my opinion, the property could be self-sustaining within ten years.

Best Regards,
Diane Morgera, Chair
Trustees of the Trust Funds
Town of Stratham NH