

Built Like an Endowment?

Harvard and Yale keep only a sliver of their money in bonds and cash, leaning on assets chosen to move differently from the stock market. The typical retail investor does the opposite: about a third of fund assets sit in bonds and money markets that are taxed every year and can fall with stocks. This piece compares the two and asks where a household's safe money is best kept.

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Safe money vs. the AIB WL 5%

6%

Harvard endowment in bonds and cash, June 30, 2025

34%

of worldwide fund assets in bond and money market funds, Q4 2023

5%

hypothetical whole life cash value rate used in AIB pieces

01 ASSET ALLOCATION Two portfolios, side by side

The largest endowments hold most of their money in private equity, hedge funds and real assets. Bonds and cash are a small slice: 6% at Harvard and under 10% at Yale. Retail money looks almost the reverse. Public stock funds carry the growth, and bonds plus money markets make up about a third.

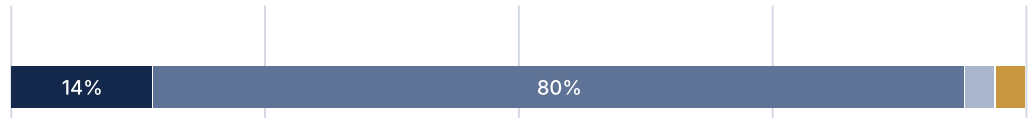
Size explains much of the gap. Endowments under \$50 million hold 26% in fixed income and look far more like a retail portfolio than like Harvard.

Public equity Private & alternative Bonds Cash & money market Balanced & other

INSTITUTIONS

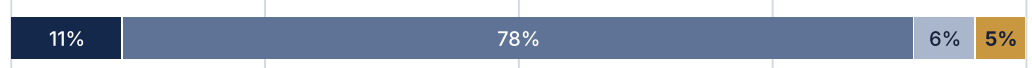
Harvard endowment

June 30, 2025



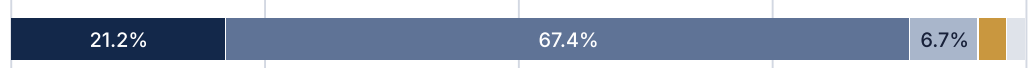
Harvard endowment

June 30, 2023



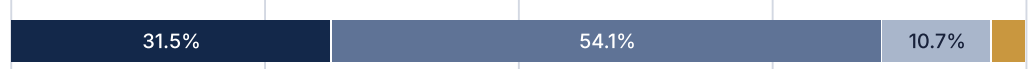
Yale University investments

June 30, 2023



NACUBO endowments

\$-weighted, FY25



NACUBO under \$50M

FY25



RETAIL

Worldwide regulated funds

ICI, Q4 2023



Worldwide regulated funds

ICI, Q2 2026



Individual investors

AAll, Sept 2026



Endowments treat cash as a working balance. **Retail investors treat it as a destination.**

Harvard: HMC letters FY23 and FY25 (private & alternative = private equity, hedge funds, real estate, natural resources, other real assets; FY23 cash includes "other"). Yale: share of total university investments at fair value, June 30, 2023, Yale Financial Report 2022–2023 (private & alternative = leveraged buyouts, venture capital, marketable alternatives, real assets). NACUBO–Commonfund Study of Endowments FY25 (cash shown with "other"). Retail funds: ICI worldwide regulated open-end fund assets (balanced/mixed shown with other). Individual investors: AAll Asset Allocation Survey, September 2026.

02 SAFE MONEY Where retail safe money sits

The money market and bond share above counts only what sits inside funds. Households also keep checking, savings and CD balances that never appear in a fund report. Added together, this safe bucket is the largest pool of household financial money with no growth plan.

\$14.5T

US household checking, savings and time deposits (CDs), 2025

\$5.42T

US household money market fund shares, Q1 2026, up 13% in a year

23.8%

of US mutual fund assets in money market funds, August 2026

28.2%

AAll members' portfolios in bonds and cash, September 2026

Bonds and cash as a share of the portfolio

Portfolio	Bonds	Cash & money market	Combined	As of
Harvard endowment	3%	3%	6%	June 30, 2025
Yale University investments	6.7%	2.8%	9.5%	June 30, 2023
NACUBO endowments, dollar-weighted	10.7%	3.4%*	14.1%	June 30, 2025
AAll individual investors	14.9%	13.3%	28.2%	September 2026
Worldwide regulated funds (ICI)	18.7%	15.2%	33.9%	Q4 2023

*NACUBO reports cash within "other." Fund and survey figures exclude bank deposits and CDs held outside funds, so the full household safe-money share is higher than these figures show. Sources: Federal Reserve Z.1 (via Crane Data and Eco3min); ICI Trends in Mutual Fund Investing, August 2026; AAll; HMC; Yale; NACUBO; ICI worldwide Q4 2023.

How an endowment uses cash

- Meets capital calls and the yearly spending draw
- Kept small; Yale targets 7.5% in bonds and cash combined
- Tax-exempt, so the interest is not taxed

How a household uses cash

- Emergency money, plus reserves that sit for years
- Often 20–30% of household funds in our experience
- Interest taxed as ordinary income every year

03 RISK CORRELATION What really diversifies

Diversification works only if the pieces do not fall together. Yale sets a minimum of 30% in what it calls "market-insensitive" assets: cash, bonds and absolute return, with absolute return the largest share by target. Harvard holds 16% in hedge funds it describes as uncorrelated. For a retail investor, the diversifier is almost always the bond fund.

In 2022 that bond diversifier failed. Inflation pushed stocks and bonds down together, and the stock-bond correlation turned positive for the first time in more than 20 years.

CALENDAR 2022	FISCAL YEAR ENDED JUNE 30, 2022
-16.1% US 60/40 stock-bond portfolio (Vanguard)	-10.6% S&P 500 total return
5.64% AIB WL Index declared dividend rate	-1.8% Harvard endowment

The diversifier each group relies on

Diversifier	Used by	What it did in 2022	Tax on growth
Absolute return / uncorrelated hedge funds	Yale, Harvard	Not tied to bond prices	None (tax-exempt holder)
Bond funds	Retail	Fell with stocks as rates rose	Yearly, ordinary income
Money market, savings, CDs	Retail	Held value; lagged inflation	Yearly, ordinary income
Dividend-paying whole life	Available to households	Index rate 5.64%; cash values guaranteed	Tax-deferred; loans generally tax-free*

A caution on endowment numbers. Harvard's own FY23 letter says private managers did not mark down holdings as fast as public markets fell, a "natural lag" in valuation. Part of the low correlation in endowment returns is that lag.

Whole life dividend rates follow long-term interest rates by years, not months. The AIB WL Index never fell below 5.64% from 2001 to 2026, and Northwestern Mutual's rate stayed positive every year since 1872.

Yale allocation policy: Yale Investments Office announcements (FY17–FY21 targets). Harvard hedge fund detail: HMC FY25 report. 60/40: Vanguard, US-only 60/40, calendar 2022. S&P 500 and Harvard FY22 returns: HMC FY23 letter. AIB WL Index: AIB, The AIB Whole Life Index; declared rates are not policy returns and are not guaranteed. *Non-MEC policy kept in force.

04 FEE DRAG Fees, taxes and the gap they leave

Endowments pay high fees to hedge fund and private equity managers and report returns net of those fees. What they do not pay is tax. A retail investor pays both: a fund or advisory fee every year, and income tax on every dollar of bond and money market interest in the year it is earned.

Where retail money sits	Typical annual cost	Tax on growth
Index equity ETF	0.14%	Dividends yearly; gains when sold
Equity mutual fund	0.40%	Dividends and distributions yearly
Bond mutual fund	0.36%	Interest taxed as ordinary income, yearly
Money market fund	0.24%	Interest taxed as ordinary income, yearly
Savings and CDs	Built into the rate	Interest taxed as ordinary income, yearly
Advisory or managed account	~1.00% added	Same as the funds inside

Fund costs: ICI, Trends in the Expenses and Fees of Funds, 2025 (asset-weighted averages). Advisory fee per Advanced Group Series No. 1.

61%

what the investor kept of the S&P 500 (TR) result over a typical 20-year period after a 1% fee and 25% tax

2.6–2.7%

of annual return that never reached the investor in those periods

4% → 3%

a 4% savings or money market yield after a 25% tax rate

Two kinds of cost

Fees and taxes on market accounts

- Charged on the full balance, up or down
- Lost opportunity cost: the dollar plus everything it would have earned
- Nothing returned to the family for the cost

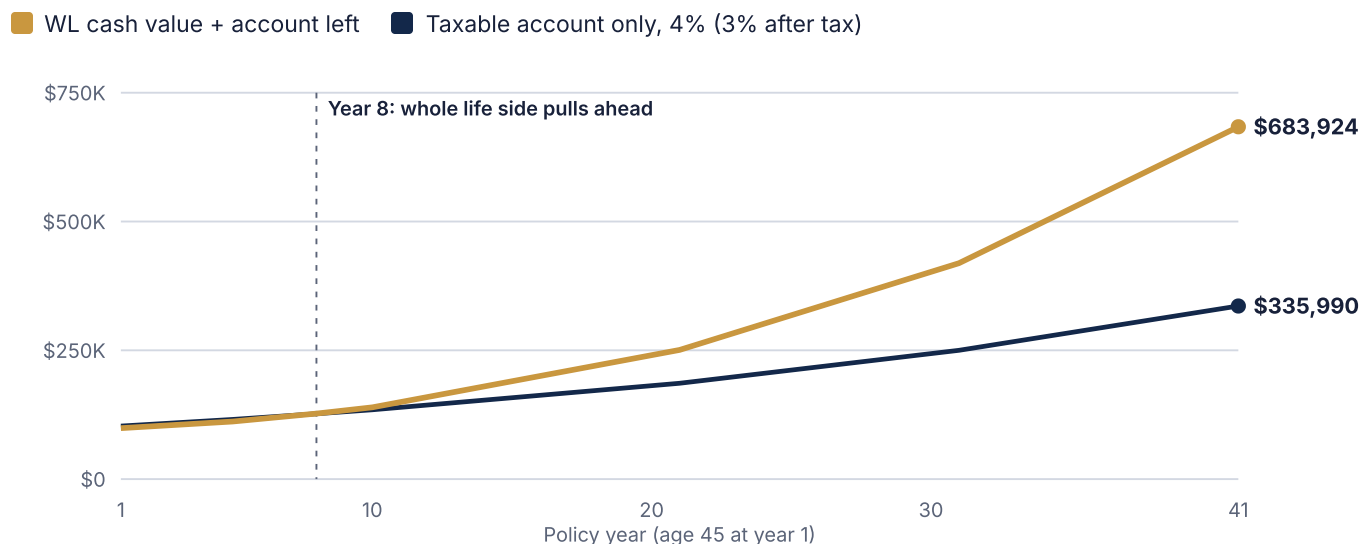
Insurance cost in whole life

- Set by age, health class and policy design
- Buys a death benefit, generally income-tax free
- Already deducted in the 5% hypothetical net rate

The 61% and 2.6–2.7% figures are from Advanced Group Series No. 1, [What Your Returns Are Really Worth](#), using \$1,000 in the S&P 500 (TR), a 1% annual fee and a 25% tax on the ending value. Hypothetical.

05 THE ALTERNATIVE Safe money vs. the AIB WL 5%

A household cannot buy Harvard's hedge fund book. It can give its long-term reserve the traits endowments pay for: no market losses, a return that moves slowly, and growth that is not taxed every year. Dividend-paying whole life does that and adds a death benefit. The chart follows the sample case from [The Whole Life Cash Alternative](#): \$100,000 moved into a 10-pay policy at \$10,000 a year, against the same money left in a taxable account earning 4%.



Year 8

the whole life side pulls ahead; roughly 7 to 8 years depending on the person and design

\$250,642

at year 21, against \$186,029 in the taxable account

5.96%

pre-tax return the account would need, before fees, to match by year 21

Why 5%

- AIB WL Index average dividend rate: 6.44%, 2001–2026, gross
- MassMutual policies held 30 years earned 4.61–5.23% on cash value after all costs
- A hypothetical net rate; age, health and design set the real one

What it is not

- Not a replacement for the stock side of a portfolio
- Not for emergency money; early years trail the bank account
- Best funded over time, which keeps the policy efficient and non-MEC

Sample case: male, 45, preferred plus non-tobacco; 10-pay whole life from a mutual carrier at the carrier's current 6% dividend scale, funded at the minimum non-MEC level. Values are not guaranteed. See [The Whole Life Cash Alternative](#) for full assumptions.

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Your first meeting is a product review, not a sales presentation. We map what you already own, including the cash, and show your fee and tax drag before recommending anything.

Sources

1. [Harvard Management Company, FY25 Annual Report; HMC CEO letter, FY23.](#)
2. [Yale University, Financial Report 2022–2023, Note 2.](#)
3. [NACUBO-Commonfund Study of Endowments FY2025.](#)
4. [ICI, Worldwide Regulated Open-End Fund Assets, Q4 2023 and Q2 2026.](#)
5. [ICI, Trends in Mutual Fund Investing, Aug. 2026; ICI, Fund Expenses and Fees, 2025.](#)
6. [AAII Asset Allocation Survey, Sept. 2026.](#)
7. [Federal Reserve Z.1, via Crane Data and Eco3min.](#)
8. [Yale News, allocation targets; Vanguard, the 60/40 portfolio.](#)
9. [Advanced Group Series No. 1; AIB, The AIB Whole Life Index; AIB, The Whole Life Cash Alternative.](#)

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Allocation data. Endowment, survey and fund figures come from the sources listed, measured at different dates and on different bases. Yale figures are total university investments at fair value, not the endowment's policy targets. Category groupings are ours.

Endowment comparisons. Endowments are tax-exempt, perpetual and very large, with access to private funds not available to most individuals. Reported private asset values can lag public markets.

Insurance. Insurance products are offered through Advanced Insurance Brokerage. Guarantees are based on the claims-paying ability of the issuing insurer. Whole Life dividends are declared annually by each insurer's board and are not guaranteed. The AIB WL Index is a proprietary average of declared dividend interest rates created by Advanced Insurance Brokerage; it is not a policy return and cannot be purchased.

Policy costs and access. Life insurance requires underwriting and has costs and surrender charges, especially in early years. Loans accrue interest and reduce cash value and death benefit. Tax treatment assumes the policy is not a Modified Endowment Contract and stays in force.

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