

# What Endowments Know That RIAs Don't

And Why the Gap is Closing

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# What Endowments Know That RIAs Don't

## And Why the Gap is Closing

Top endowments have outperformed 60/40 by 200-400bps annually for two decades. The gap is not skill. It is architecture.

The performance difference between institutional endowments and typical RIA portfolios is driven almost entirely by one structural decision: endowments allocate 40-60% to alternatives. Most RIA portfolios allocate 0-5%. On a \$10M portfolio over 20 years, the difference between 7% and 9.5% is roughly \$15M in terminal wealth.

### THE ALLOCATION GAP

Asset Class	Top Endowment	Typical RIA Portfolio
Public Equities	15-25%	55-65%
Fixed Income / Cash	5-15%	30-40%
Private Equity	20-30%	0-3%
Real Assets (farmland, infrastructure)	10-15%	0-2%
Absolute Return / Hedge	10-15%	0-2%
<b>Total Alternatives</b>	<b>50-60%</b>	<b>0-5%</b>

Source: Omnigence Asset Management. Indicative ranges based on NACUBO endowment survey data and industry benchmarks.

### WHY THE GAP PERSISTED

#### Access Barriers

Best managers required \$5-25M minimums. A \$3M client portfolio couldn't participate.

#### Liquidity Mismatch

Clients expected quarterly liquidity. PE has 7-10 year lock-ups. Advisors feared redemption pressure.

#### Operational Complexity

Capital calls, K-1 reporting, NAV calculations - platforms weren't built for it.

#### Incentive Misalignment

Alternative assets often fell outside AUM fee calculations, discouraging recommendations.

### WHY THE GAP IS CLOSING NOW

**Access has democratized.** Evergreen funds and feeder vehicles now offer institutional-quality alternatives at \$50-250K minimums.

**Platforms have adapted.** Custodians now support alternative asset reporting, capital calls, and K-1 integration.

**Client expectations shifted.** After 2022 proved bonds don't reliably diversify, clients are asking for alternatives, not resisting them.

**Fee structures evolved.** More platforms include alternative assets in AUM calculations, eliminating the incentive gap.

The tools, access, and infrastructure now exist to bring institutional thinking to the wealth management channel. The only remaining barrier is the advisor's willingness to evolve.



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