Harvard's Endowment Could Shrink 40% by 2040: Report

President Trump's policies could drive elite university endowments to increase their payouts and pursue more liquid investment strategies.

By Sabiq Shahidullah | August 7, 2025

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Harvard University's $53 billion endowment could decrease in size by 30% to 40% over the coming years as policy pressures pile on the Ivy League institution, according to a research report.

A worst-case scenario – higher endowment taxes, a halt to federal funding and an international student ban – would cause the real value, which accounts for inflation, of Harvard's endowment to drop to $29 billion by 2040, according to an analysis by Dutch data firm **Ortec Finance**. Its nominal, or non-inflation-adjusted, value would be around $43 billion to $50 billion by that time, depending on the severity of policy implementation.

Such a scenario would require Harvard's endowment to become more liquid, which could force it to pursue more stocks and bonds and sell off some illiquid investments, like private equity and venture capital, the analysis stated.

"With the renewed fear of a liquidity crisis and increased payout levels, we assume the long-term investment strategy to begin shifting away from such high allocations in private equity and hedge funds, and more into public equity, with some relatively minor increases in cash and bonds for additional liquidity," Ortec wrote.

President **Donald Trump** and Republican lawmakers have targeted elite universities for allegedly tolerating campus antisemitism and promoting left-wing politics. The administration's threats include research funding cuts and international student bans.

If the president enacts these measures, Harvard's endowment would need to make up for lost research funding and international student revenue, as well as pay a higher tax. The endowment will need more liquidity to fund the university's greater need for support, while also prioritizing higher investment returns to meet that payout.

"The endowments now face a two-sided front of needing to prioritize both liquidity and return," Ortec wrote.

The most immediate concern for universities is making sure there is sufficient liquidity to fund operations, said **Michael Rosen**, chief investment officer of **Angeles Investments**. But if there is a higher return objective, then endowments will also need to take on more investment risk, he added.

Following the influence of former **Yale University** Chief Investment Officer **David Swensen**, universities have invested heavily in alternative assets for the hope of greater long-term returns in exchange for illiquid lockups.

Private equity, hedge funds and real assets made up 80% of Harvard's endowment for the fiscal year ending June 30, 2024.

But Trump's policies could hamper elite endowments' ability to invest in private assets, since they would require more liquidity. Harvard would need to adjust its allocation to a 50/50 split between liquid and illiquid assets to cope with an extreme policy scenario, Ortec estimated.

"Increasing returns come with a variety of risks, and that could just be public equity risk, which is short term volatility," Rosen said. "Or it could be illiquid risk, moving more into private equity, for example, to get higher returns, but then you run into the liquidity problem."

Harvard Management Company, which manages the university's endowment, explored selling $1 billion of its private equity holdings on the secondaries market through a process that began last year.

Other elite endowments facing tax and funding pressures could also pare some of their private investments to shore up liquidity. **Yale University**'s $41 billion endowment sold roughly $2.5 billion of private equity and venture capital stakes on the secondaries market earlier this summer.

Harvard currently spends about 5% of its endowment annually on the university's operations. The school would need to increase its endowment spending rate to 7% or 8% to keep up with costs, which would require it to generate an annualized investment return of at least 8% plus inflation to maintain the endowment's nominal value.

The university's endowment could drop by 40% over the next 15 years when adjusted for inflation, according to Ortec.

A spokesperson for Harvard didn't respond to a request for comment on the report's findings.

President Trump has targeted Harvard in particular, with threats to cut its research funding, strip the school of its nonprofit status and ban international student enrollment, a major source of revenue for the university.

International students made up over a quarter of Harvard's student population for the latest academic year, bringing in roughly $1.4 billion in revenue.

Last month, Trump signed his marquee "big, beautiful bill" into law, implementing an increased excise tax on the net investment income of large private university endowments. Harvard will likely face an 8% tax on its investment gains, a significant hike from the current rate of 1.4%.

The tax could drive elite endowments to lower their taxable investment income through strategies such as tax-loss harvesting.

However, Harvard can mitigate the impacts of the president's policies by raising more funds from donors, said **Debashis Chowdhury**, president of **Canterbury Consulting**.

"The best of organizations will adapt and figure out a way to say to their donor base, 'hey, we need more help,'" he said. "When you're talking about the Ivies, they have an extraordinary amount of ability to flex and potentially mitigate [policies]."

In the event of a complete federal funding freeze, it's unlikely that Harvard would receive zero additional support, Chowdhury added.

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