

## Ownership That Evolves and Endures

By: Brett Mulder, Managing Director, ECHELON Partners

### How Thoughtful Equity Sharing Shapes the Future of Advisory Firms

Equity sharing has become an increasingly common topic for advisory firms as they grow into more established organizations. What often begins as a discussion about compensation or retention quickly evolves into something more fundamental: how ownership should evolve as the business matures.

As leadership responsibilities expand beyond the founding generation, firms begin to think more intentionally about how ownership should expand alongside the organization.

Equity sharing is often discussed as a tool for incentives or retention. Those elements matter. At the same time, ownership design plays a broader role in how firms develop leadership, sustain continuity, and position the enterprise for the future.

Ownership, in other words, is not simply a compensation decision. It is a structural choice that shapes how an advisory firm develops and how durable the enterprise becomes over time.

### Equity Sharing Works Best When It Serves Strategy

When founders raise the subject of equity sharing, the conversation often begins with compensation or retention. Those are natural starting points. Firms that implement equity participation most effectively, however, approach it in the context of long-term strategy.

Equity sharing can be a powerful tool when it aligns key stakeholders with the long-term growth and durability of the enterprise. Ownership participation encourages leaders to think and act like owners, reinforcing decisions that support the firm's future rather than short-term outcomes.

In many cases, firms that successfully introduce ownership participation already operate with that perspective. They tend to have a clear strategy, disciplined governance, and a commitment to building an enduring institution.

Seen this way, equity sharing often reflects how a firm is already thinking about its future.

### Ownership Alone Does Not Create Value

The industry narrative often suggests that broader ownership leads to increased enterprise value and more successful succession planning. In many cases that relationship can be true, but it is not automatic.



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Expanded ownership works best within a deeper partnership framework that includes governance, leadership responsibility, and economic alignment.

Simply distributing shares without clarity around leadership roles or performance expectations rarely produces the outcomes founders hope to achieve. Ownership alone does not create alignment.

On the other hand, when equity participation is tied to leadership responsibility and long-term firm objectives, it can strengthen succession readiness and organizational resilience.

Ownership works best when it reinforces how the firm operates and where leadership intends to take the business.

## **How Ownership Structure Influences Buyer Interest and Perceived Risk**

Ownership structure can also play a meaningful role in attracting buyer interest when advisory firms enter the transaction market.

Buyers often view firms with distributed ownership, particularly when ownership extends to key relationship managers and drivers of growth, as more attractive. This structure demonstrates continuity beyond a single individual and helps reduce perceived key man risk.

When ownership and leadership structures indicate that key producers and employees are committed to the long-term success of the firm, buyers generally have greater confidence in the sustainability of revenue, client relationships, and culture.

For the same reasons, buyers often seek to extend ownership opportunities to key stakeholders of the selling firm post-transaction. Providing continued participation in the firm's success helps reinforce alignment while supporting employee retention and long-term stability.

## **Common Misconceptions That Still Shape the Conversation**

Despite growing interest in equity sharing, at ECHELON, we often see that several misconceptions still influence how founders approach the topic.

One common assumption is that equity sharing automatically creates alignment or solves succession challenges. In practice, equity without governance, leadership clarity, and defined management responsibility can create as many complications as it resolves. This is why the development of such programs should be approached thoughtfully with clearly defined goals in those areas.

Another concern founders often raise is whether introducing additional owners requires giving up meaningful control. Many successful firms introduce ownership gradually, allowing founders to maintain strategic leadership while the next generation begins to participate economically and develop management responsibility. Additionally, profits, enterprise value, and governance can often be shared at varying levels giving founders the flexibility to maintain control where they want to.

Tax considerations also surface frequently. Some assume there is no tax-efficient way to share equity without creating taxable events when the ownership is granted. In practice, ownership programs can be designed to avoid taxes at the outset, making participation more feasible for next-gen employees.

When these structural questions are addressed thoughtfully, equity sharing becomes far more practical and successful.

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## The ECHELON Insight

At ECHELON Partners, ownership design is rarely viewed in isolation. It is typically part of a broader conversation about how advisory firms evolve as they grow.

Those discussions often begin with leadership. Founders consider who will drive the next phase of the firm's development and how economic participation should align with those responsibilities.

When founders ask us about equity sharing, we frame the conversation around three core objectives: performance & growth alignment, continuity, and enterprise value. Equity sharing should create incentives for the next generation of leaders to think and act like owners, reinforce retention of key talent, and demonstrate to clients and external partners that the firm has a durable future beyond the founding generation. We develop equity sharing solutions that dynamically flex within constructs for individual performance, firm success, and tax efficiency. These programs allow RIA owners to creatively and flexibly share ownership with key employees while retaining a level of control they are comfortable with.

In that sense, ownership participation becomes more than a financial arrangement. It becomes one of the ways advisory firms build institutions designed to endure across generations.

Interested in learning more about equity sharing? Contact the team at ECHELON at [info@echelon-partners.com](mailto:info@echelon-partners.com) to discuss our experience advising firms on ownership structure and long-term value creation.

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