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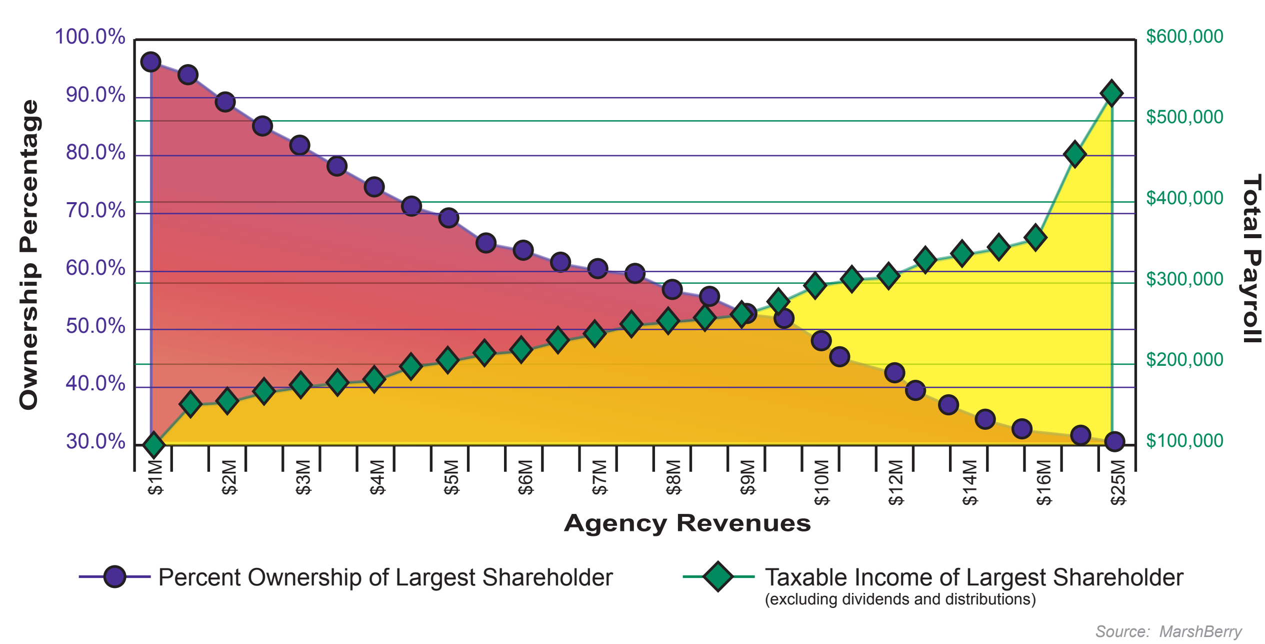
Income and Ownership

Last month we showed how the ownership percentage of the largest shareholder typically decreases as agency size and value increases. This happens because owners share equity with those who are driving agency value. This month, we examine what happens to the total payroll of the largest shareholder as agency value increases and ownership is shared. Although it is often a fear, it is rare that personal income is negatively influenced by the act of sharing ownership.

To illustrate this, we took the chart featured in the July issue of For the Record and added the taxable payroll (excluding dividends and distributions) of the largest shareholder to show that despite a decrease in equity percentage, the largest shareholder recognizes increasing payroll by sharing ownership.



Of course it is not that simple. Enlightened owners are hiring, training, and developing producers whose performance merits ownership. Furthermore, shared ownership also ensures that all stakeholders have a vested interest in the agency's success. An agency with growing cash flow and earnings provides its owners with an asset that is both increasing in value and has earnings available for distribution.

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