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SPLITTING THE PIE

How Savvy Founders Divide Ownership
and Navigate Other Founder Equity Decisions

April 2025



Starting a company is exhilarating—but it comes with big decisions to make right out of the gate, and dividing equity among founders is one of the most important ones you'll make. Based on years of experience, insights and data from thousands of startup formations we have worked on, this guide offers practical advice to help you navigate this critical step. While the data here isn't meant to be prescriptive, it may be a helpful reference as you decide how to structure your new venture.

WHAT MAKES SOMEONE A “FOUNDER”?

“Founder” is a term startups tend to use for a person who originates the idea for a company and works to bring it to life—whether that's through developing a business plan, building a prototype, writing code or creating a product or service. Unlike officer or director, “founder” isn't a term with legal meaning. It can be used however you decide.

Some founders have spent months or even years on research and development of intellectual property (IP) before incorporating, while others jump straight into incorporation while still incubating their idea. Founders can also be people who contribute significant resources or guidance to the company, either before or after incorporation. Anyone can have the title “founder,” if the founding team of a startup is ok with it.

DECIDING WHO THE FOUNDERS WILL BE

Founders are typically all-in, ready to do whatever it takes to launch the company. Most founders commit to working full-time for the company once it's incorporated, but not every co-founder takes the traditional employee route. Some contribute vital early support in other ways, depending on their skills and circumstances.

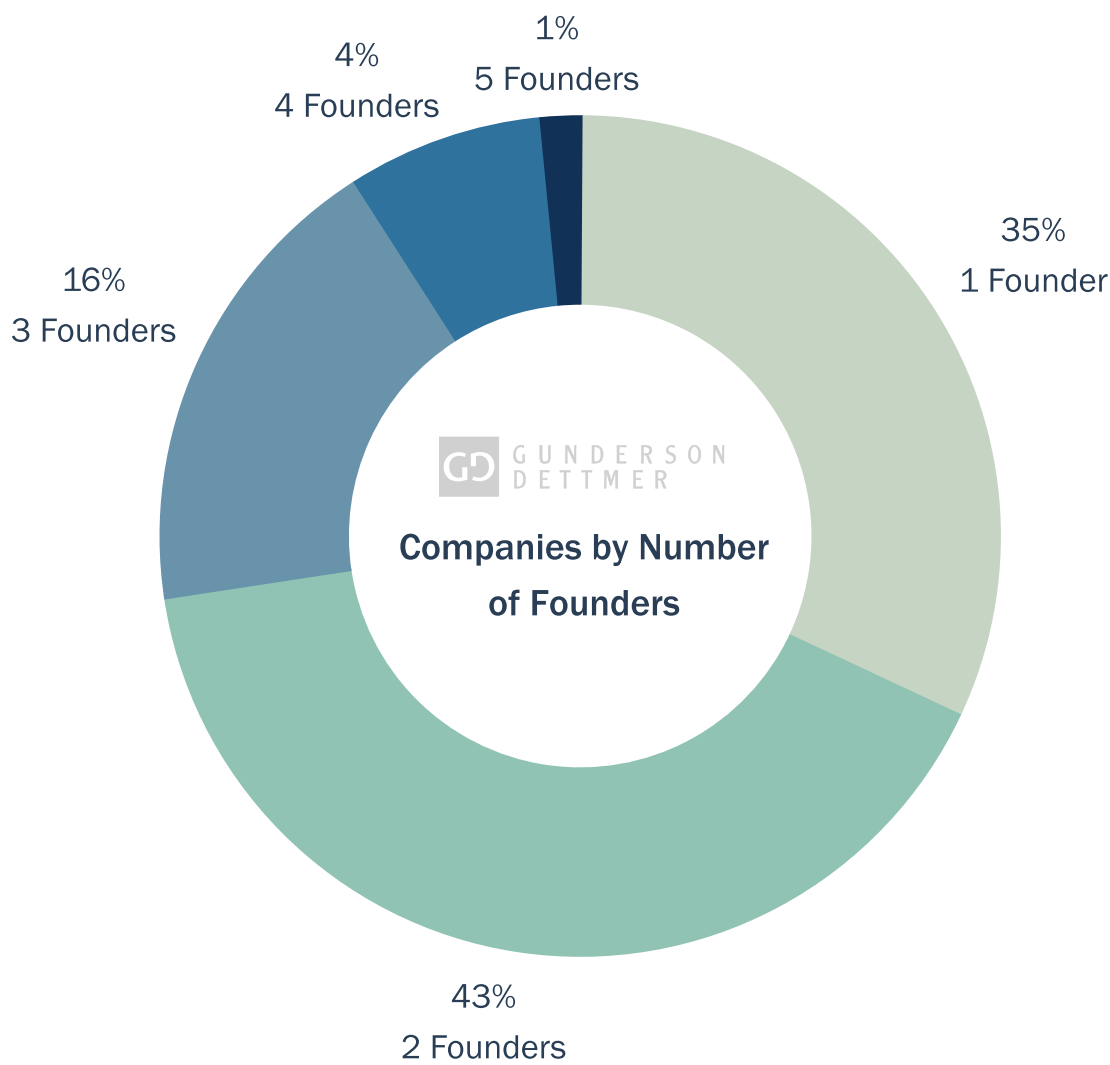
It's worth noting that you don't have to lock in your founding team on day one. You can bring in a co-founder later or even elevate an early employee or advisor to co-founder status if they become a key part of the team during those critical early days. For simplicity, the data below defines a founder as anyone who owns 10% or more of the company at formation.

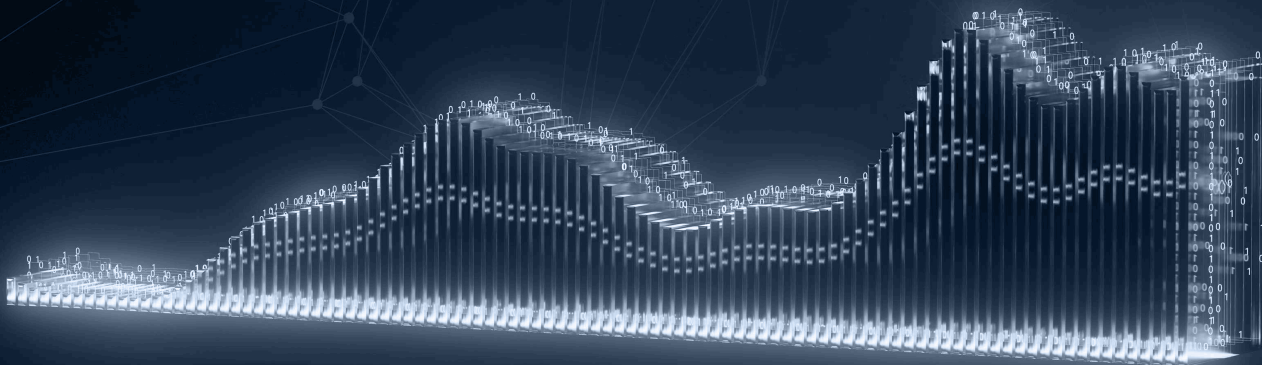
SOLE FOUNDER OR FOUNDING TEAM

Going solo as a founder means you'll have full control of your startup—but it also means the weight of every decision and responsibility rests squarely on your shoulders. On the flip side, having co-founders lets you share the load, lean on each other for support, and collaborate to drive the company's vision and mission forward, but also means sharing control.

If you're part of a founding team, it's crucial to align on how major decisions will be made. Since founders are typically the company's first officers and directors, being on the same page about the company's direction is essential.

In a sample of several thousand companies we helped incorporate between January 2018 and March 2025, more than 90% of formations had either one, two or three founders (the number of companies with six or more founders was trivial and therefore excluded):

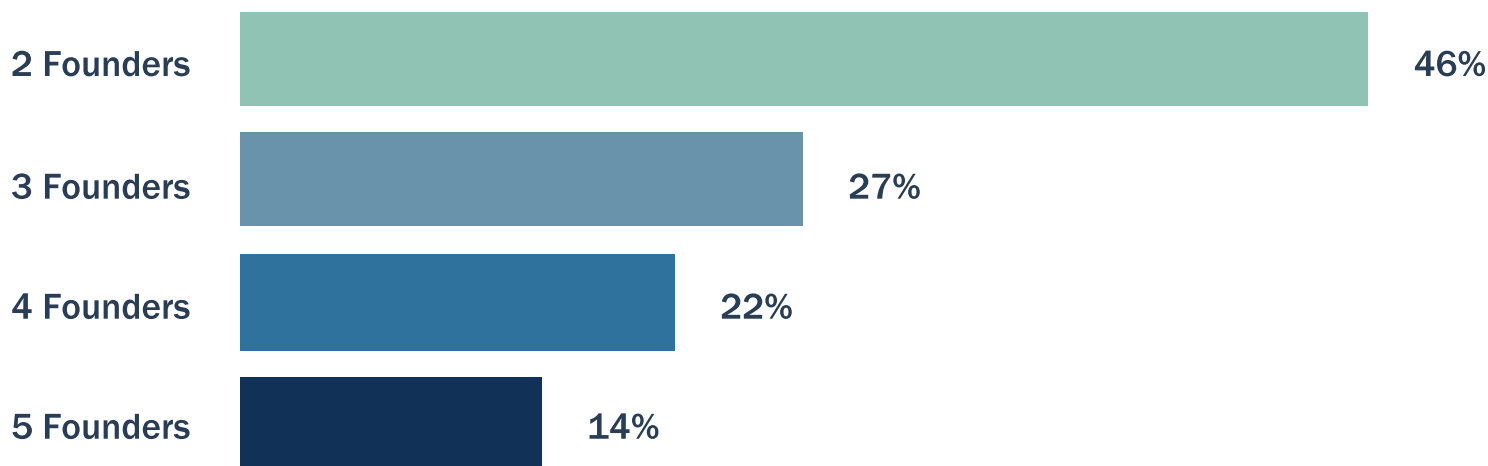




HOW DO FOUNDERS SPLIT EQUITY?

When it comes to divvying up ownership, there's no one-size-fits-all approach—but some trends are worth noting. For startups with two founders, nearly half (around 46%) opt for an equal split of equity right from the start. For teams of three founders, things get a bit more varied: about 27% divide equity equally among all three, while roughly 16% split equity equally between just two of the three founders.

Percentage of Companies with Equal Founder Equity Splits

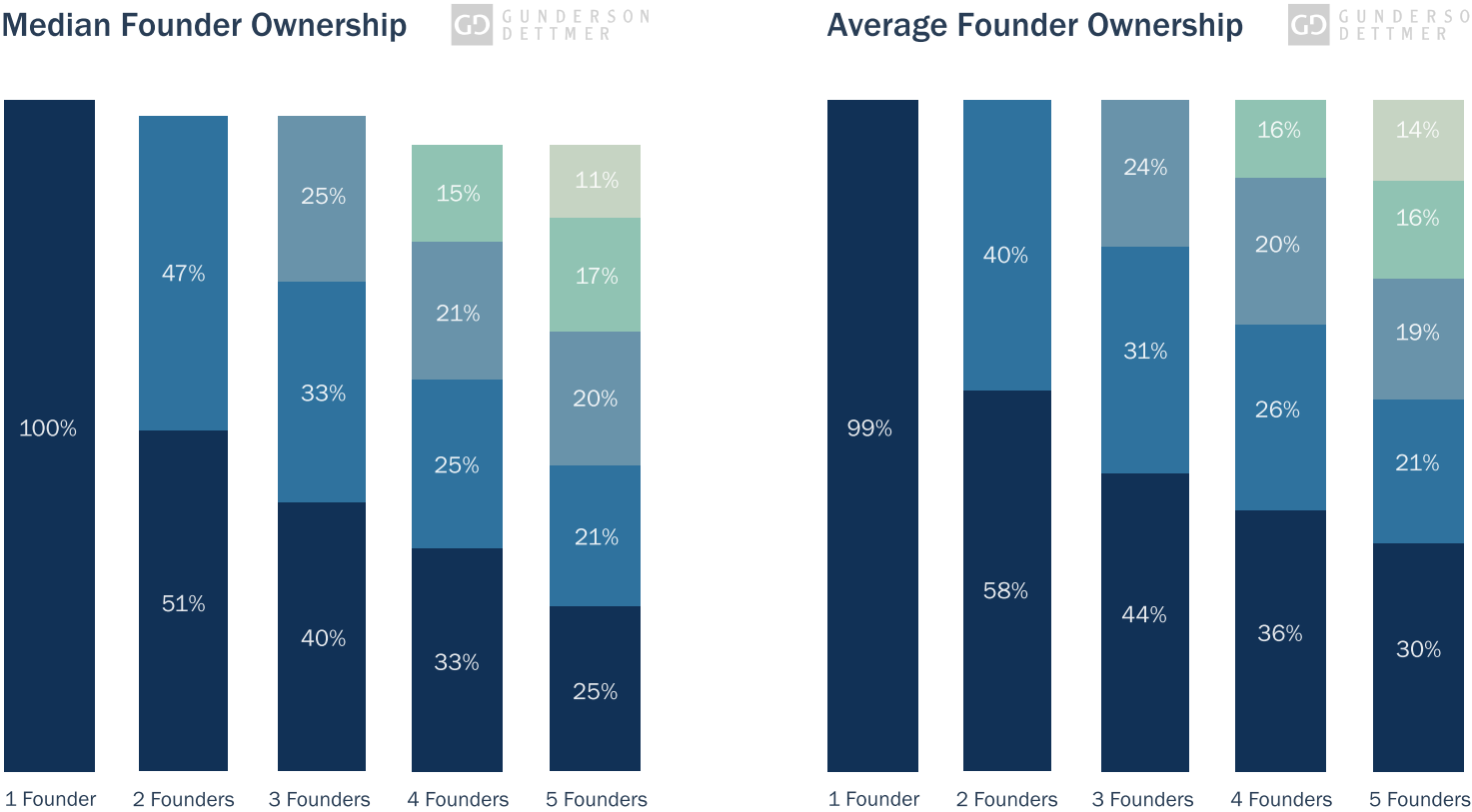


STOCK OWNERSHIP IS ABOUT MORE THAN DOLLARS AND CENTS

Founder stock ownership isn't just about economics—it's also about control. Who owns what determines who gets to approve (or veto) key corporate decisions. This dynamic shifts as the company raises money and sells stock to investors, but in the beginning, it's all about the founders.

Equity splits should take into account each founder's contributions before incorporation and their expected responsibilities moving forward. Sure, splitting equity 50/50 might feel like the easiest and "fairest" option, but it doesn't always align with reality. Regardless of whether you go the equal-split route, you'll need to come to consensus on relevant decisions to have a successful venture. Don't assume you'll always see eye to eye—spoiler alert: you won't.

Don't kick this conversation down the road or settle on a temporary ownership structure with plans to fix it later. Once your company's stock starts gaining value, adjusting ownership can trigger unintended tax consequences and other costly headaches—for both the founders and the company. Bottom line: aim to get it right from the start.



Note: The ownership percentages in the charts above include all stock issued at formation, including to non-founders, in the denominator.

WHAT HAPPENS IF A FOUNDER LEAVES?

It's not fun to think about when things are just getting started, but founders should discuss (at incorporation) the impact of a potential founder exit—on good terms or not. Here are some key questions to consider:

- If the co-founder is an officer or director, who steps in to fill their shoes?
- How will their departure shake up the board structure?
- What impact will it have on stockholder voting dynamics?
- Has the co-founder signed over all IP related to the business to the company and locked that down with the right agreements?

Even if you don't have a formal plan for an early co-founder departure, being aware of these issues can help reduce stress if the situation arises.

STOCK VS. OPTIONS

Founders typically receive common stock—sometimes called “founder stock” (or “restricted stock” if it's subject to vesting—more on vesting below)—around the time of incorporation. At this earliest stage in the company's life, the stock usually has minimal value, making it inexpensive and straightforward from a tax perspective to get the stock into the founders' hands. Founders pay for their shares either in cash or by contributing existing IP assets to the company.

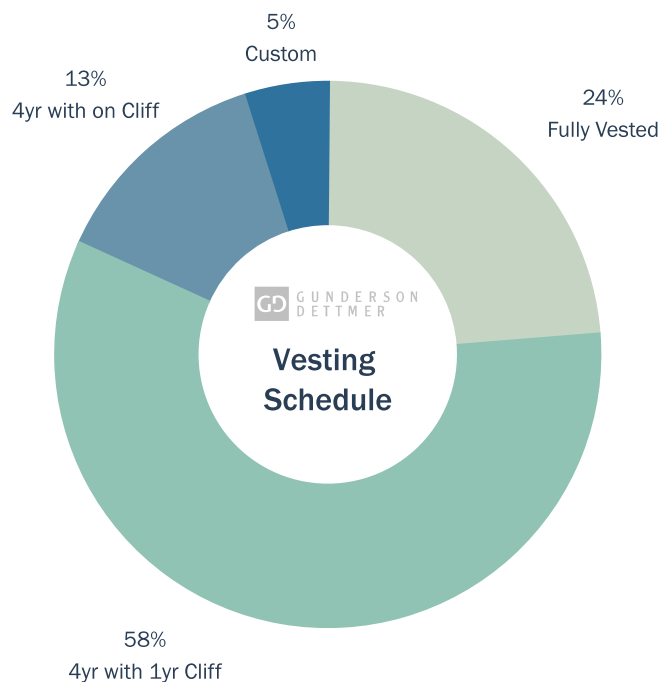
Stock options, on the other hand, give the holder the right to buy a set number of shares of common stock at a fixed price later. Unlike stockholders, optionholders do not get to vote for directors or on other matters until the option is exercised, but options do offer flexibility—holders can decide if and when they want to pay out-of-pocket to invest in the company by exercising their options. Companies usually start issuing stock options once the value of their common stock rises to the point where granting stock outright becomes too pricey for most of the recipients. As such, most founders will not receive stock options unless they receive their equity much later or get a further option grant later in the company's lifecycle.

While there are other types of equity out there—like restricted stock units (RSUs), phantom stock, and profit interests—we generally advise new founders to steer clear of these. They're often less efficient for early-stage startups, can come with unexpected tax headaches, and might raise eyebrows with potential investors. In many cases, investors will push for changes to non-standard equity programs anyway, so it's best to keep things simple from the start.

SUBJECTING FOUNDER STOCK TO VESTING

Subjecting founder stock to vesting is one of those steps that might not feel urgent when you're just starting out—but trust us, it's critical. If your founding team ever faces a breakup (and it happens more often than you'd think), vesting can save your company from a world of hurt. Without it, a departing founder could walk away with a windfall of fully vested stock and voting control, even though they're no longer contributing to the business. That's a tough pill to swallow for the remaining team members who are still grinding to make the company a success, and could even create obstacles to future fundraising. Vesting ensures that equity is earned over time, aligning ownership with ongoing commitment and effort.

Here's how it works: vesting is typically time-based, meaning founders “earn” their shares by staying with the company. If someone leaves before their shares are fully vested, the company can repurchase the unvested portion at cost. For most tech startups, the standard vesting schedule is four years, with 25% of the shares vesting after the first year (the “cliff”) and the rest vesting in equal monthly installments over the next three years. In most VC-backed startups in the U.S., vested shares are yours to keep—unlike in PE-backed companies or certain international markets.



This structure is simple, well-understood and widely accepted by investors. And while it's tempting to get creative with heavily customized vesting schedules or performance-based vesting, we generally advise founders to keep it straightforward—investors often insist on standardizing vesting terms anyway, which can add unnecessary time and cost to your first financing round if they aren't standard to begin with. More than 75% of the formations in our dataset included some vesting on shares:

For solo founders, vesting might seem less relevant at first glance—you are the company, after all. But investors typically require founders (including solo founders) to subject their stock to vesting as a condition of investment. Why? Because it ensures you stay committed to the business and continue driving its success. Despite this investor desire, many solo founders decide to wait until a financing event and work with the investors to implement the appropriate vesting. Slightly more than 40% of the solo founders in our dataset opted for fully-vested stock, while that fully-vested cohort was less than 16% of companies with 2 or more founders.

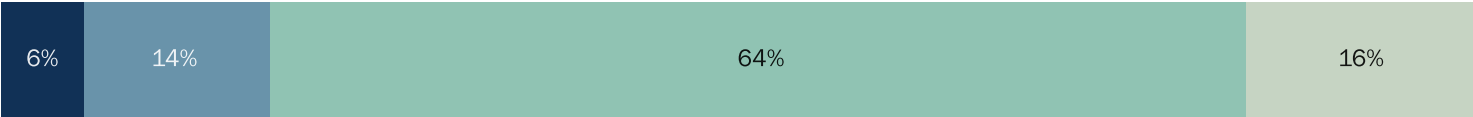
Vesting Schedule



Solo Founders



2+ Founders



Custom 4yr with no Cliff 4yr with 1yr Cliff Fully Vested

Founding teams can also account for sweat equity time they’ve already contributed to reduce the length of their initial vesting schedules. However, given that most startups take significantly longer than four years to exit, more recently we are seeing some founding teams choosing to implement vesting schedules that are longer than four years to hold themselves and each other accountable for a longer time horizon.

Bottom line: vesting isn’t just a box to check at formation—it’s a smart move to safeguard your company and align all the founders’ incentives for the long haul.

VESTING ACCELERATION

Most founders decide to include vesting acceleration provisions for their founder stock. These kick in when certain events occur, allowing some or all of your unvested shares to vest immediately—meaning they’re no longer subject to the company’s right to repurchase at cost.

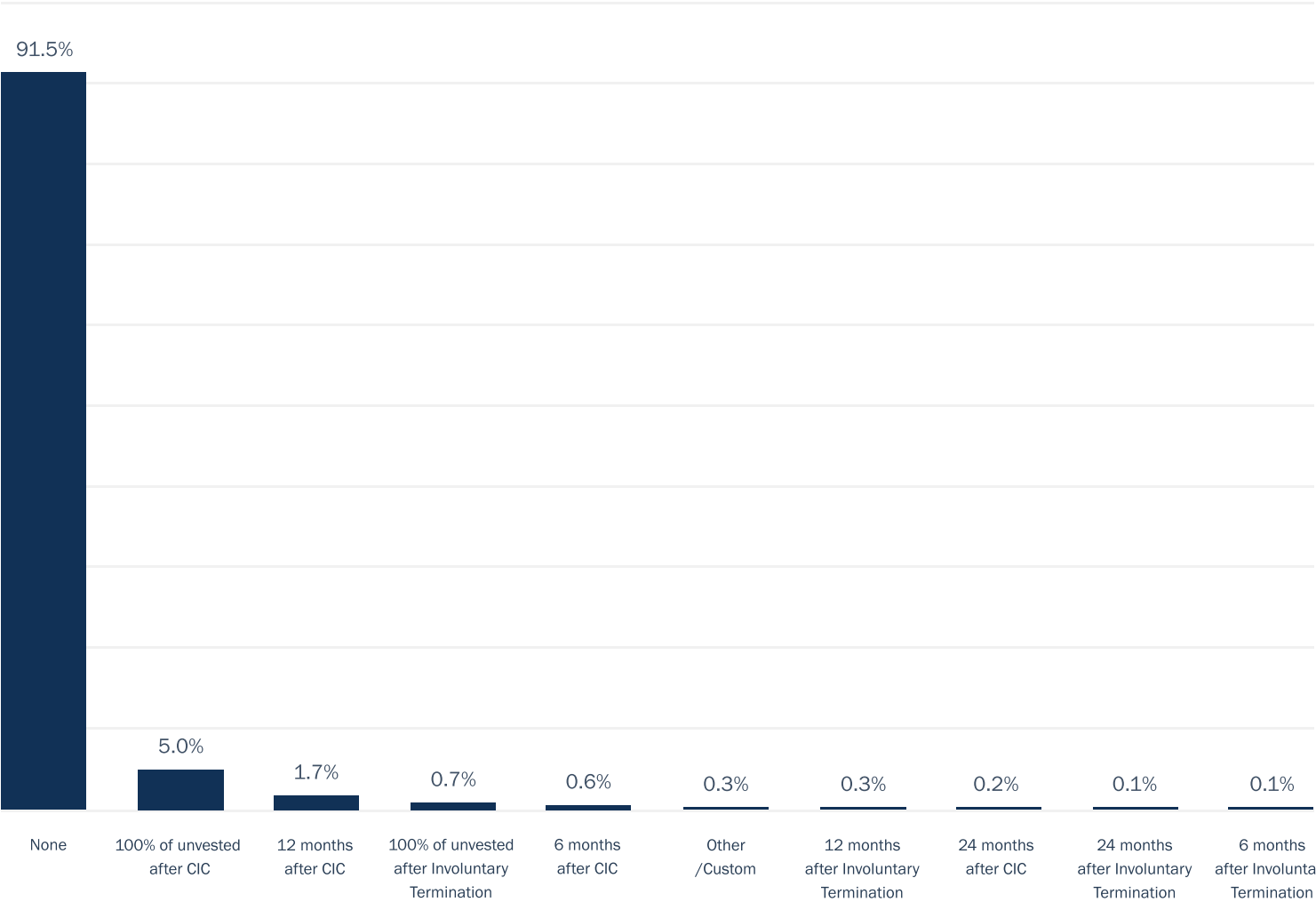
There are two main ways acceleration is structured:

- **Single-trigger acceleration:** vesting is accelerated when just one event (like a change in control or being terminated without cause) occurs.
- **Double-trigger acceleration:** two events have to occur—typically (1) a change in control followed by (2) a termination without cause —to activate the vesting acceleration.

Founders often worry that single-trigger vesting acceleration in which equity vests immediately if someone is terminated without cause can create perverse incentives and lead to disruptive disputes if a founder is terminated. Because of this, it’s less commonly used. It is also rare for VCs to get comfortable with founders keeping single-trigger acceleration on their shares, regardless of whether the trigger is involuntary termination or change in control. If that does happen, it can be structured by giving the founder credit for some number additional months of service following the trigger event (e.g., however long they had served until the acquisition plus an additional six months or twelve months). Double-trigger acceleration is often easier to keep as a company raises venture capital because it strikes a balance between founder protection and investor confidence. Investors (and potential acquirors) prefer to see double-trigger provisions because they ensure founders remain incentivized to stick around and contribute to the company’s success post-acquisition, rather than cashing out immediately. At the same time, founders benefit from a safety net if they’re involuntarily terminated after a change in control. This structure aligns the interests of both parties, making it the go-to choice in the venture ecosystem. Our data shows a majority of companies have founders with double trigger acceleration (and when double trigger is included, almost all of those companies’ founders have 100% of the unvested accelerate after the second trigger). On the other hand, more than 90% of companies have founders with no single trigger acceleration at the company’s formation.

Double Trigger Acceleration





“CIC” refers to Change in Control.

SETTING THE STAGE FOR SUCCESS

Dividing founder equity is one of the first—and most critical—decisions you’ll make as you build your startup. While there’s no universal formula, the key is to approach the process thoughtfully, balancing relative contributions and long-term incentives. From choosing your founding team to structuring vesting schedules and planning for contingencies, every decision you make now lays the foundation for your company’s future. Keep it simple, stay aligned, and don’t shy away from tough conversations early on—they’ll save you headaches down the road.

Remember, founder equity isn’t just about ownership; it’s about setting the stage for collaboration, commitment, and growth. Get it right, and you’ll be well on your way to building something extraordinary.



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