

# Johnson Associates

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*Financial Services Compensation  
First Quarter Trends and Year-End Projections*

May 7, 2026

# Q1 2026 Year-End Projections: (% Change from 2025)

*Johnson Associates projects year-end incentives to be flat to slightly positive across sectors*

**Overarching Caveats:** Year-end projections fragile given macro factors. Geopolitical turmoil and credit stress key downside risks that could slow economy and hamper results. Q1 results strong and sentiment remains high despite these uncertainties.

Traditional Asset Management	Illiquid Alternatives	Investment / Commercial Banking
<b>Up 5%</b>	<b>Flat to 5%</b>	<b>Up 10%</b>
<ul style="list-style-type: none"> <li>Markets recover from early downturn as momentum persists through volatility</li> </ul>	<ul style="list-style-type: none"> <li>Private credit conditions creating fundraising challenges / lower returns</li> </ul>	<ul style="list-style-type: none"> <li>Incentives <u>sharply higher</u> on record revenues and lower headcount</li> </ul>
<ul style="list-style-type: none"> <li>New opportunities through alternatives partnerships / buildouts</li> </ul>	<ul style="list-style-type: none"> <li>Exit / realization pipelines somewhat contingent on macro uncertainties</li> </ul>	<ul style="list-style-type: none"> <li>Trading surges as momentum from 2025 continues</li> </ul>
<ul style="list-style-type: none"> <li>Large firms benefit from product diversification capabilities</li> </ul>	<ul style="list-style-type: none"> <li>Secondaries excel on exit bottlenecks; evergreens a perpetual capital source</li> </ul>	<ul style="list-style-type: none"> <li>M&amp;A revenues dramatically higher and healthy pipeline (for now)</li> </ul>
<ul style="list-style-type: none"> <li>AI-driven efficiencies resulting in lower headcount</li> </ul>	<ul style="list-style-type: none"> <li>Pressure on investment team incentives and carry expectations</li> </ul>	<ul style="list-style-type: none"> <li>Robust equity underwriting outlook driven by mega-scale IPOs</li> </ul>
Wealth Management / Family Office	Hedge Funds	Insurance
<b>WM: Up 5%   FO: Up 5%</b>	<b>2.5% to 10%+ (Wide Variations)</b>	<b>Flat to 5%</b>
<ul style="list-style-type: none"> <li>Inflows and heightened competition for private wealth talent</li> </ul>	<ul style="list-style-type: none"> <li>Strong inflows; commodities and macro funds outperform</li> </ul>	<ul style="list-style-type: none"> <li>Stable earnings and spread income support positive outlook</li> </ul>
<ul style="list-style-type: none"> <li>Alternatives becoming larger part of private wealth offerings</li> </ul>	<ul style="list-style-type: none"> <li>Talent war for star PMs and pass-through fees driving pay higher</li> </ul>	<ul style="list-style-type: none"> <li>Lower catastrophe losses abate previous P&amp;C headwinds</li> </ul>
<ul style="list-style-type: none"> <li>Carry / co-invest increasingly common in family offices</li> </ul>	<ul style="list-style-type: none"> <li>AI firms direct competitors for elite quant / technology talent</li> </ul>	<ul style="list-style-type: none"> <li>AI / technology productivity gains visible in underwriting execution</li> </ul>
<ul style="list-style-type: none"> <li>Family offices “level-up” on talent; increasingly compete with top firms</li> </ul>	<ul style="list-style-type: none"> <li>Explosive growth of prop trading firms</li> </ul>	<ul style="list-style-type: none"> <li>Potential balance sheet vulnerabilities from credit stress</li> </ul>

# Projected Q1 2026 Incentive Funding

Sector	% Change from 2025
<b>Illiquid Alternatives<sup>1</sup>: <i>Varying Results</i></b>	
Secondaries	5% to 10%
Infrastructure	Flat to 5%
Private Equity (Large)	Flat to 5%
Real Estate	Flat
Private Equity (Mid / Small)	Flat
Venture Capital	Flat
Private Credit	-2.5% to -7.5%
<b>Investment &amp; Commercial Banking: <i>Strong Results</i></b>	
Advisory	10% to 20%+
Equity Underwriting	10% to 20%+
Equity Sales & Trading	10% to 15%
Firm Management	7% to 12%
Fixed Income Sales & Trading	5% to 10%
Debt Underwriting	5% to 10%
Corporate Staff	5% to 10%
Retail / Commercial	2.5% to 7.5%

Sector	% Change from 2025	
<b>Asset Management: <i>Up 5%</i></b>		
Wealth Management	Up 5%	
Family Office	Up 5%	
Equities	Up 5%	
Fixed Income	Flat to 5%	
<b>Insurance: <i>Flat to 5%</i></b>		
Property & Casualty	Flat to 5%	
Life & Annuities	Flat to 2.5%	
<b>Hedge Funds<sup>2</sup>: <i>2.5% to 10%+ (Wide Variations)</i></b>		
Proprietary Trading	↑	Outperforming
Commodities	↑	Outperforming
Macro	↑	Outperforming
Quantitative	↑	Outperforming
Multi-Strategy	—	Market Performing
Credit	—	Market Performing
Event-Driven	↘	Under/Market Performing
Corporate Functions	Flat to 5%	

*Incentive funding changes reflect felt impact same store / same headcount*

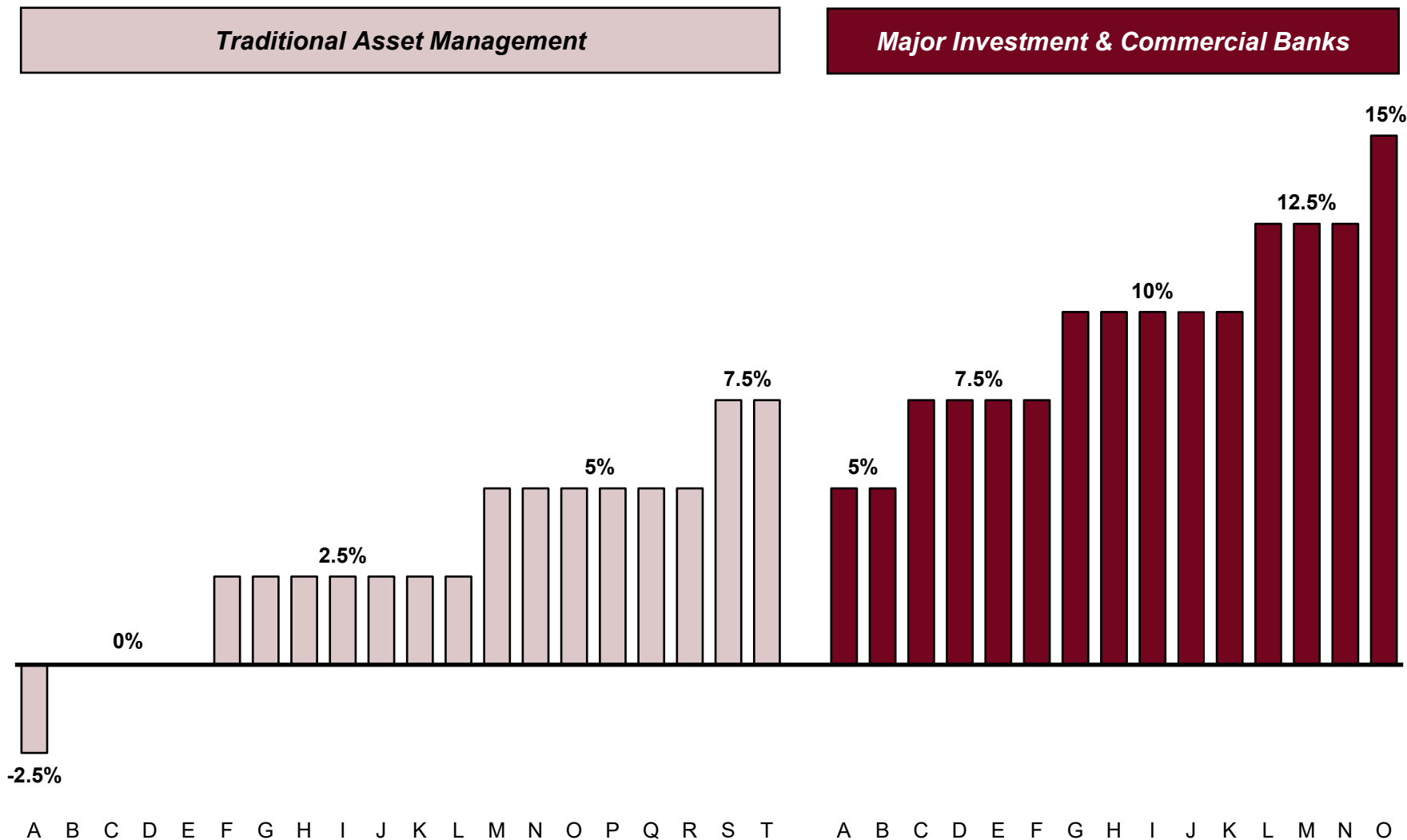
1. Applies to total incentive, excludes carried interest

2. "Performing" designations for hedge funds due to wide variations in fund outcomes

# Projected % Change in Year-End Incentive Pool by Firm\*

- Firm-by-firm incentive pools trending higher across asset management / investment and commercial banking
  - Incentive funding changes reflect felt impact same store / same headcount

Projected % Change in Incentive Pool by Firm



\*3 months actual data with projection for remainder of year  
 US & international firms included for both asset management and banks

# Talent Bifurcation and AI-Driven Retooling

*AI is helping create winners and losers as it reshapes productivity, talent flows, and pay distribution*

## AI Retooling Reality

- Bifurcating talent market with AI-led roles commanding premiums
- AI fluency now a prerequisite for hiring at many leading firms
- Use and expertise embedded in performance reviews
- Greater focus on revenue per employee; “doing more with less”

## Junior Talent Pipeline Shrinking

- Firms reducing Analyst-to-Manager ratios
- Select entry-level roles outsourced / offshored (i.e., India)
- Hiring selectivity with higher expectations for incumbents
- AI performing 'grunt work'; traditional work models eroding quickly

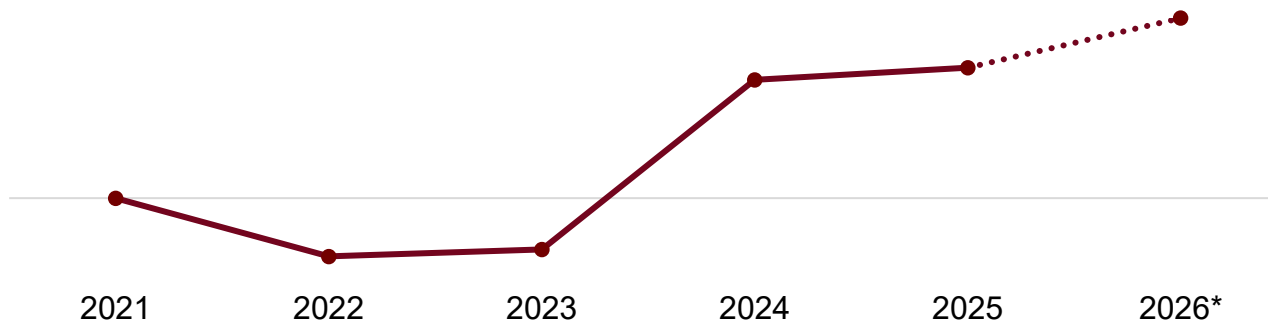
## Winners

- AI-driven skillsets (quant, data, automation)
- **Top performers / skillsets receive outsized pay**

## Losers

- Junior analyst / entry-level, back office, research
- **Adoption results in widening pay and career gaps**

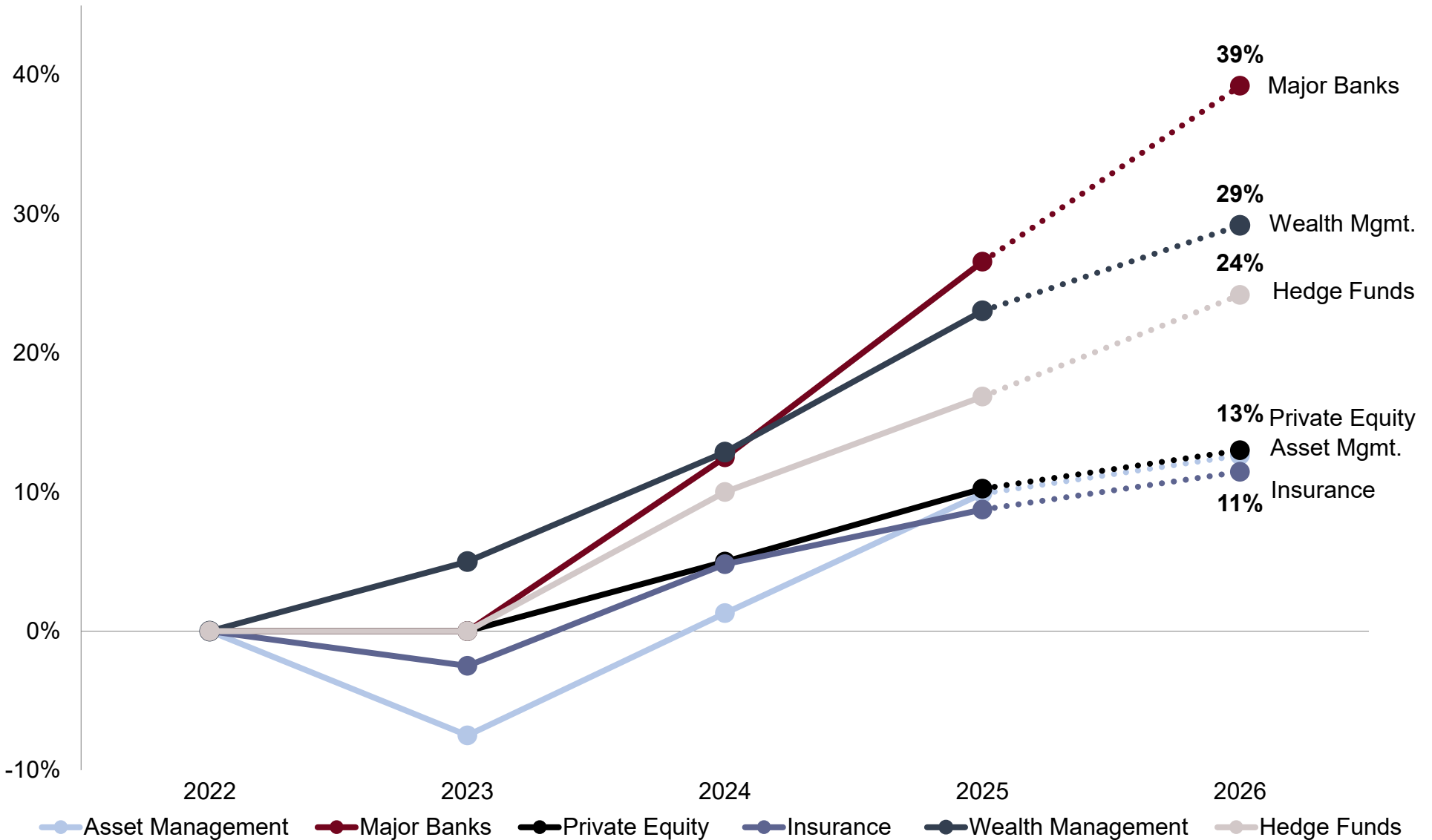
**Productivity Trends: AI a Key Driver**  
*Revenue per Head Growth (Blended Financial Services)*



2021 – 2025 actual banking, asset management, and insurance data (indexed to 2021 levels)  
\*2026 JAI projections

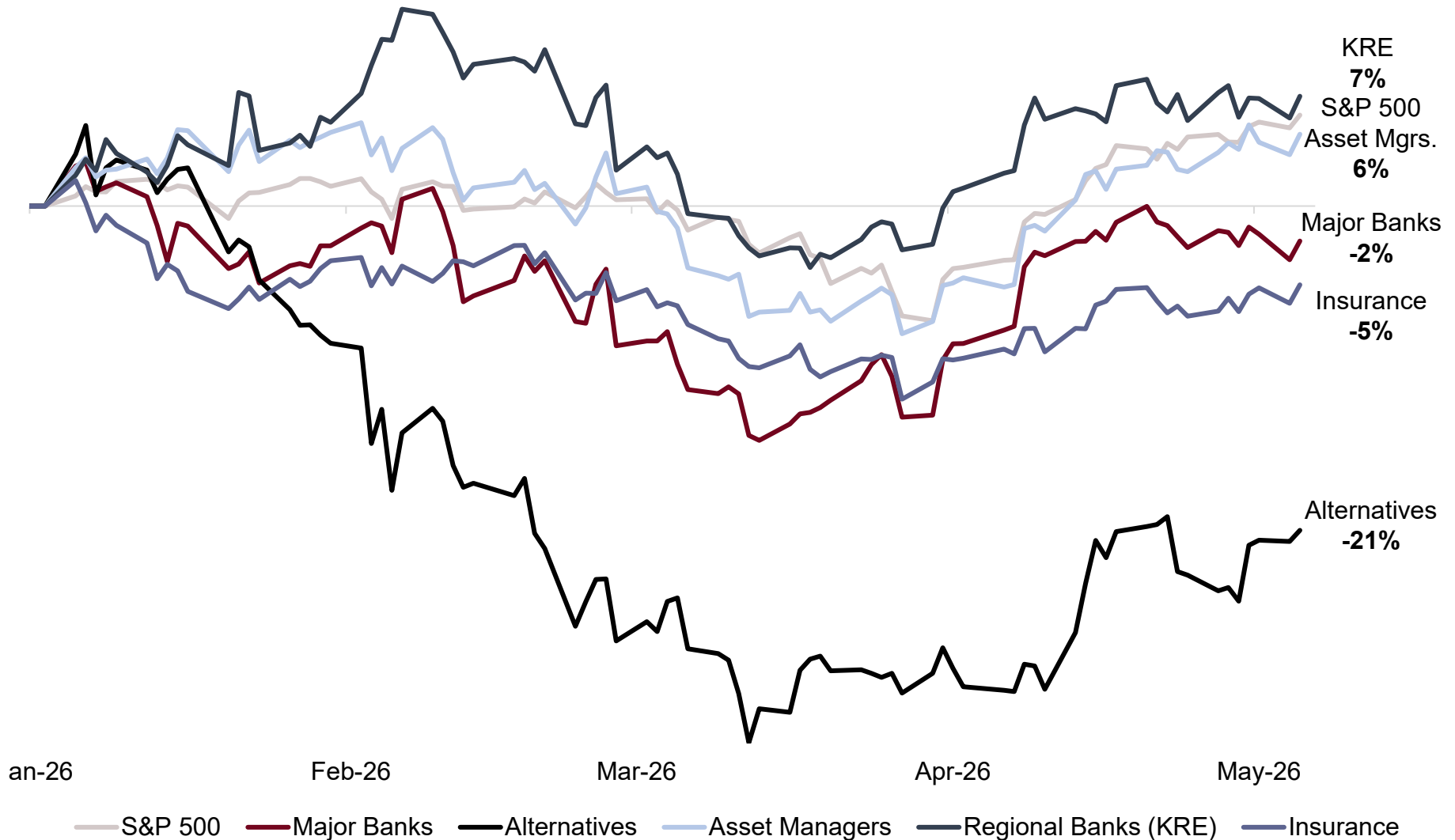
# Cumulative Incentive Trends by Business Segment

■ Incentive changes indexed to 2022 levels



# YTD Stock Performance Across Sectors

- **Q1 geopolitical volatility primarily subsided with market resilience**
  - Oil-driven shock cause market volatility and potential impact to soft landing
  - Earnings remain robust throughout sectors
  - Alternatives lag amidst redemption activity and difficult fundraising / realization environment



# Our Services

## ***Strategic Design. Actionable Advice. Market Data***

We partner with firm management, human resources teams, and Boards to provide tailored compensation solutions and custom analyses

### ***Market Benchmarking***

Year-End Review and Ad-Hoc Analysis • Peer Group Selection / Analysis • Compensation Benchmarking by Individual • Traditional and Hybrid / Compound Roles • Extensive Proprietary Database • Compensation Mix Analysis • Carry Allocations, Dollars-at-Work, and Valuation • Perquisites and Benefits • Market Program Prevalence • Headcount Analysis

### ***Incentive Plan Design***

Detailed Program Assessment • Compensation Philosophy • Performance Metrics • Incentive Funding Rates • Annual Incentives • Long-Term Incentives • Equity / Profits Interest • Carried Interest Design and Terms • Sales Plan Design • Performance Share Unit Design • Deferral Programs and Vesting • Partnership Plans • Restrictive Covenants • Plan Transition and Communication

### ***Board of Director Advisory***

Compensation Committee Advice • Say-on-Pay / Shareholder Advisory • Executive Compensation Benchmarking • Emerging Market Trends and Analysis • Board Compensation • Year-End Review • Regulatory Updates

### ***Special Situations***

Succession Planning (Economic and Governance) • IPO / Sale / M&A • Bankruptcy • Restructurings • Expert Opinion and Testimony • Employment Contract Design and Negotiation

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**To join our mailing list or speak with a consultant:**

[info@jaiconsulting.com](mailto:info@jaiconsulting.com)

+1 (212) 221-7400