

Nike Deferred Compensation Plan

THE NIKE NON-QUALIFIED DEFERRED COMPENSATION PLAN MAKES IT POSSIBLE FOR HIGH-EARNING EMPLOYEES TO SAVE A LARGER PERCENTAGE OF THEIR INCOME IN A TAX-ADVANTAGED PLAN.

What are the benefits of Nike's NQDC Plan?

Executives who are eligible for the NQDC Plan can defer more of their compensation than is eligible in their regular 401(k) plan. You can defer up to 75% of your base salary and up to 100% of your Profit Sharing Plan bonus in your NQDC Plan.

Your NQDC Plan offers significant tax advantages, allowing you to reduce your current taxable income while growing your savings tax-deferred.

The NQDC Plan offers a variety of distribution options, the longest payout being up to 15 years post-retirement.

Investment options vary by plan, but generally include a full range of options with which to build your portfolio.

Who should consider contributing to a Non-Qualified Deferred Compensation plan?

Employees who are already contributing the maximum to their 401(k) plan and are looking for additional tax-deferred savings vehicles, or want to further reduce their current income tax burden.

Individuals who are planning to relocate to a state with no income tax and plan to elect at least a ten-year payout.

Those who are considering Roth conversions prior to retirement age or prior to taking Required Minimum Distributions (RMDs).

Employees in lower tax brackets who are seeking to strategically exercise stock options.

Employees who expect to be in a lower tax bracket in the future.



Taking advantage of your Non-Qualified Deferred Compensation Plan options.

Your Deferred Compensation Plan is similar to your 401(k) Plan, but there are some important differences to be aware of:

UNDERSTANDING THE TAX BENEFITS

Your NQDC Plan contributions are tax-deferred, so they can reduce your current taxable income, though they are still subject to Federal Insurance Contributions Act (FICA) and Federal Unemployment Tax Act (FUTA) taxes.

NQDC Plan distributions are taxed as ordinary income when they are distributed. Distributions begin once you leave Nike, regardless of your age at the time.

If you live in a high income-tax state and plan to move out-of-state in the future, consider selecting a ten-year or longer distribution period to avoid paying state income taxes on distributions to your previous home state.

DISTRIBUTION OPTIONS

You can select a lump sum or five, ten, or 15-year installments for your NQDC plan funds, and distributions begin shortly after you leave Nike, no matter whether voluntary, involuntary, or for retirement.

Because your distributions will add to your taxable income, a tax planning strategy will be an important component of your plan.

LIMITATIONS ON MAKING NQDC ELECTIONS

Unlike your 401(k), you are only able to make a contribution election once a year during open enrollment. After that, deferral elections are irrevocable. You can defer up to 75% of your salary and up to 100% of your Profit Sharing Plan bonus.

Your deferral elections will also automatically roll forward to the next year unless you participate in open enrollment and change your election.

You are also required to set your distribution option at the time you make your deferral, so planning ahead is important.

UNIQUE RISKS

Your 401(k) Plan funds are governed by ERISA with strict rules for managing the assets in your name. Non-Qualified Deferred Compensation assets, on the other hand, are not protected from creditors in the unlikely event of a corporate bankruptcy; they are considered an unsecured liability of the company.

Arnerich Massena can help.

Your NQDC Plan is an excellent benefit for reducing your current tax burden and saving for the future, but requires careful planning to make appropriate elections. Our planners are in your corner; we have decades of experience working with Nike executives and can help you explore options and find the best ways to make your Nike benefits work for you.

Contact us to learn more about how we may be able to help. Reach out to Ryland Moore at rmoore@am-a.com or 971.263.7860. We look forward to learning more about the legacy you want to create.

