

Nike Stock Options

NIKE STOCK OPTIONS
MAKE IT POSSIBLE FOR
EMPLOYEES TO
PARTICIPATE IN THE
SUCCESS OF NIKE
TO BUILD THEIR OWN
LONG-TERM WEALTH
AND SECURITY.

What are the benefits of Nike stock options?

Nike stock options are a unique and significant benefit that makes it possible for Nike employees to be part of Nike's success.

Nike stock option holders have the right to purchase shares of Nike at a set price, with this option lasting for up to ten years.

You are in control of when you exercise your options, and when — and whether — you choose to sell any stock purchased.

Stock options are not taxed as they vest and increase in value; taxes are only applied when the options are exercised. When exercised, stock options are taxed at your ordinary income rate.

How do Nike stock options work?

A stock option is the right to purchase shares of Nike at an exercise price, also known as a strike price. You can use your options to buy Nike stock any time up to the option's expiration. The more that shares of Nike stock increase in price relative to your strike price, the more valuable your stock options become.

$$\text{YOUR STOCK OPTIONS} = \text{\# OF OPTIONS} \times \left(\text{\$ CURRENT STOCK PRICE} - \text{\$ EXERCISE PRICE} \right)$$

Stock options are taxed as regular income only at the time you exercise them, so you should plan your tax strategy thoughtfully. If you leave Nike voluntarily or involuntarily, any unvested stock options will be forfeited, and you will have 90 days to exercise your vested stock options. If you retire from Nike, you will forfeit unvested stock options earned less than one year prior to separation, while the rest will continue per the original vesting schedule. You will have up to four years to exercise your vested stock options.



Understanding stock option choices

In order to make the most strategic use of your stock options, you'll need to decide when is the best time to exercise your options. This will depend on a number of considerations, including market changes, how it fits into your overall planning strategy, and the tax implications. We've outlined below a few key considerations that will be important in making the best use of your stock options.

MAXIMIZE YOUR TIME HORIZON

The value of your stock options depends on the Nike stock price at any given time, and how much higher it is than your strike price. Over time, the stock price has historically trended higher, though it has experienced periods of short-term volatility. Below, you can see the ten years of stock prices between 2012 and 2022.

Given the long-term trends, generally, the longer you can wait before exercising your stock options, the more opportunity you will have to maximize their value.



PLAN YOUR TAX STRATEGY

Because the exercise of your stock options generates additional taxable income, you need to consider how your options will affect your taxes. Not only will your stock options be taxed as regular income, but you could find yourself in a higher tax bracket.

Below are a few strategies that can help mitigate tax impact, but we recommend working with a financial and tax planner to look at your personal situation:

- You can spread out the exercise of your stock options over two or more years, seeking to manage your annual income so it doesn't exceed your tax bracket.
- You can use other tax planning strategies to balance out the tax impact in the year or years in which you exercise your stock options.
- You can coordinate the exercise of your stock options with a contribution to your Nike Deferred Compensation Plan, so that you use your stock option proceeds for living expenses, while contributing your regular salary into your NQDC plan to avoid additional taxes.

Arnerich Massena can help.

Stock options can be confusing, but used appropriately are a tremendous benefit that can help you build long-term wealth and security. Our planners are in your corner; we have years 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.

