

NIKE DEFERRED COMPENSATION PLAN

The Nike Deferred Compensation Plan (DCP) 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 DEFERRED COMPENSATION PLAN?

Employees who are eligible for the DCP (annual base salary of at least \$150,000) 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 Performance Sharing Plan (PSP) bonus in your DCP.

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

The DCP 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 DCP?

- 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 seeking to defer income to strategically exercise stock options in lower tax brackets.
- Employees who expect to be in a lower tax bracket in the future, when they are receiving the income.



Taking Advantage of Your Deferred Compensation Plan Options

UNDERSTANDING THE TAX BENEFITS

Your DCP 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.

DCP 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. If you select a distribution option of less than ten years, you are highly likely to be liable for the taxes in the state from which you moved.

DISTRIBUTION OPTIONS

You can select a lump sum or five, ten, or 15-year quarterly installments for your DCP funds, with distributions beginning shortly after you leave Nike.

Because your distributions will add to your tax liability, strategically managing your future taxable income will be an important component of your plan.

LIMITATIONS ON MAKING DCP ELECTIONS

You can only elect to contribute once a year during open enrollment. After that, deferral elections are irrevocable for the election period. You can defer up to 75% of your salary and up to 100% of your performance-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 it is important to plan ahead.

UNIQUE RISKS

Your 401(k) Plan funds are governed by the Employment Retirement Income Security Act with strict rules for managing the assets in your name.

DCP assets, on the other hand, are not protected from creditors in the event of a corporate bankruptcy; they are considered an unsecured liability of the company.

Coldstream can help.

Your Deferred Compensation Plan is an excellent benefit for reducing your current tax burden and saving for the future, however, it 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 at 452.283.1600 or info@coldstream.com. We look forward to learning more about the legacy you want to create.