

MAXIMIZING YOUR NIKE DEFERRED COMP

2023 ENROLLMENT

**WE WILL START
SOON!**



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TRIVIA TIME

Nike was founded in 1964. When was the slogan "Just do it" first launched?

YEAR-END TAX PLANNING FOR NIKE EMPLOYEES

SPEAKERS:



ISAAC PRESLEY, CFA®
CEO
PORTLAND, OR



KELSEY STORSVED
OPERATIONS MANAGER
RICHMOND, VA

WE WILL COVER

- Nike's DCP Program Specifics
- The Three Main Questions:
 - The Risk
 - The Tax Benefits
 - Making Your Elections

POLL TIME

Have you participated in the Deferred Compensation Plan before?

DCP OVERVIEW



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DEFERRED COMPENSATION OVERVIEW

- ✓ REDUCE TAXES TODAY
- ✓ TAX-DEFERRED GROWTH
- ✓ UNFUNDED LIABILITY

DCP DETAILS

EMPLOYEES WITH \$150K OF BASE PAY OR HIGHER

Contributions	Salary	PCP Bonus	Profit Sharing Match
	1-75% of Base Pay	1-100% of PSP Bonus	5% of pay that exceeds the IRS annual compensation limit (\$305k in 2022)
Distributions	While Employed ("In Service")	After Employment Ends	
	<ul style="list-style-type: none"> ✓ Paid in year selected ✓ First year available is 2027 (4 years after the date of your distribution election) 	<ul style="list-style-type: none"> ✓ Paid ~60-100 days after employment. For Key Employees (at time of retirement), payment begins after 6 months 	
	<ul style="list-style-type: none"> <input type="checkbox"/> Paid as Lump sum within the first 90 days of the year 	<ul style="list-style-type: none"> <input type="checkbox"/> Lump Sum <input type="checkbox"/> 5-Year Quarterly Installments <input type="checkbox"/> 10-Year Quarterly Installments <input type="checkbox"/> 15-Year Quarterly Installments 	
Changes	Irrevocable Elections What you CAN'T Change	Partially Modifiable Elections What you MAY be able to change	Modifiable Elections What you CAN change
	<ul style="list-style-type: none"> ✓ How much you contribute ✓ Type of pay deferred (salary or bonus) ✓ Distribution election: Lump sum vs. installments ✓ In-Service vs. Post-Employment distribution elections 	<ul style="list-style-type: none"> ✓ Distribution timing: If you elected an "in-service" distribution and if you extend the timing out at least five years or more (you can only adjust distribution timing twice for a given deferral) 	<ul style="list-style-type: none"> ✓ Investment allocation ✓ Your Beneficiaries

QUESTION #1

HOW MUCH RISK DO I
HAVE WITH NIKE'S DCP?



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COMPANY SPECIFIC RISK

Base Rates:

How likely is a publicly traded company to file for bankruptcy?

2%

Roughly 2% of public companies file bankruptcy each year.

Magnitude of Loss:

What happens in the event of a bankruptcy?

Some Examples:

CIT Group – November 2009 Chapter 11 bankruptcy. Executive benefits including deferred compensation plans survived intact.

Eastman Kodak – January 2012 Chapter 11 bankruptcy. Executive Deferred Compensation plan paid out only 4-5% of the balance (although executives were given shares in the newly issued stock). Those below the executive level were largely made whole along with other creditors.

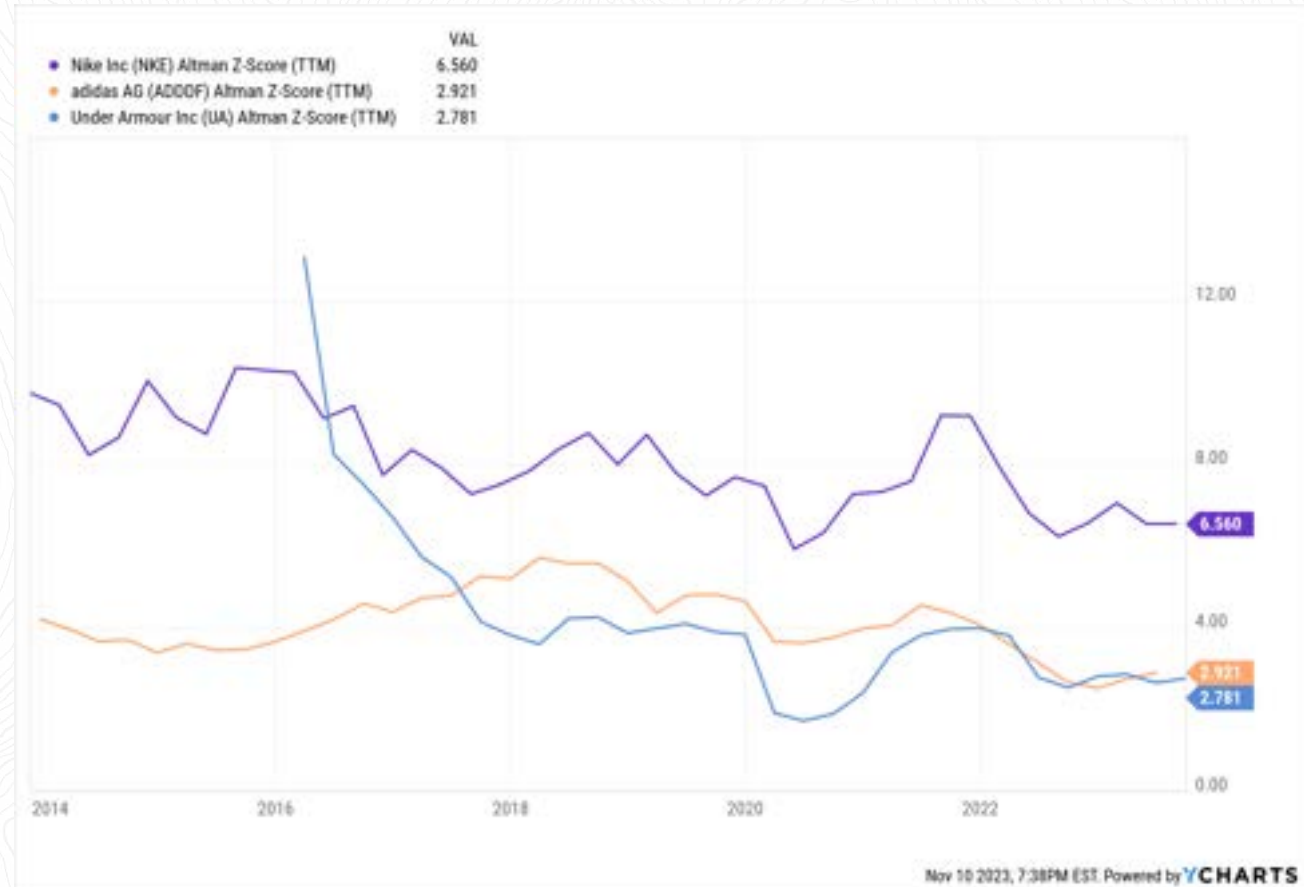
GM – June 2009 Chapter 11 bankruptcy. Participants received a two-third "haircut" of any benefits in excess of \$100,000 annual distributions.

Nortel Networks – June 2009 Chapter 7 bankruptcy. Participants recovered 97% of the funds in their deferred compensation accounts on the day of bankruptcy.

COMPANY SPECIFIC RISK

The higher the score, the better:

- ✓ The "Safe Zone" is a score of 3 or higher
- ✓ The "Grey Zone" is a score between 1.81 and 2.99
- ✓ The "Distress Zone" is a score of less than 1.81



QUESTION #2

WHAT ARE THE TAX
BENEFITS?



Photo via Josh Redd on Unsplash

POTENTIAL TAX BENEFITS

✓ TAX RATE BENEFITS

✓ TAX DEFERRAL BENEFITS

TAX IMPACT ANALYSIS

Inputs	
Years Deferred	15
Income Tax	32.00%
Pre-Tax Return*	7.54%
After-Tax Return**	5.97%
Income Tax Year 15	24.00%

	SCENARIO 1		SCENARIO 2		SCENARIO 3	
	Tax-Deferred	Taxable	Tax-Deferred	Taxable	Tax-Deferred	Taxable
Total Salary Deferral	\$12,500		\$20,000		\$35,000	
Income Tax Saved Year 1	\$4,000		\$6,400		\$11,200	
Net Investable Amount	\$12,500	\$8,500	\$20,000	\$13,600	\$35,000	\$23,800
Account Balance	\$37,193	\$20,284	\$59,509	\$32,455	\$104,140	\$56,796
Tax on liquidation (lump sum)	\$8,926	\$0	\$14,282	\$0	\$24,994	\$0
After-tax value	\$28,267	\$20,284	\$45,227	\$32,455	\$79,147	\$56,796
Total Benefit Post-Liquidation	\$7,982		\$12,772		\$22,350	
Total Benefit as % of amount deferred	63.9%		63.9%		63.9%	



* Pre-tax return using the Vanguard 2035 Target Date Retirement Fund (VTTHX) via Morningstar. 15 year period ending Sept. 30, 2021

** After-tax return using the Vanguard 2035 Target Date Retirement Fund (VTTHX) via Morningstar. 15 year period ending Sept. 30, 2021.

QUESTION #3

ELECTION
QUESTIONS?



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HOW MUCH TO DEFER

✓ FULLY FUND 401(K), IRA, HSA

✓ FOUR QUESTIONS

1. How risky do you perceive Nike to be now and in another 10-15 years?
2. How much risk do you have individually tied to Nike?
3. How much can you afford to defer from a cash flow perspective?
4. Will I receive profit sharing match?

PLANNING OPPORTUNITY:
COMBINE 2 & 3. SELL NIKE STOCK TO FUND DCP CONTRIBUTIONS.

CONTRIBUTION CALCULATOR

Step 1: Total Retirement Eligible Pay

Eligible Pay	
Base Salary	\$250,000
PSP Bonus	\$75,000
Retirement eligible pay	\$325,000

	SCENARIO 1		SCENARIO 2		SCENARIO 3	
Deferral elections						
DCP salary deferral (0-75%)	5%	\$12,500	5%	\$12,500	5%	\$12,500
DCP bonus deferral (0-100%)	0%	\$0	10%	\$7,500	30%	\$22,500
401(k) contribution (capped at \$20,500 + \$6,500 Catch-up)		\$27,000		\$27,000		\$27,000
Total DCP Deferral		\$12,500		\$20,000		\$35,000
% of Non-Deferred pay to max 401(k)		8.64%		8.85%		9.31%

Step 2: 401(k) Eligible Pay

Retirement eligible pay	\$325,000	\$325,000	\$325,000
DCP salary deferral	-\$12,500	-\$12,500	-\$12,500
DCP bonus deferral	\$0	-\$7,500	-\$22,500
(a) Retirement eligible pay after DCP deferrals	\$312,500	\$305,000	\$290,000
(b) IRS Compensation Limit for 2022	\$305,000	\$305,000	\$305,000
401(k) eligible pay (The lesser of (a) retirement eligible pay after SERPLUS deferrals, and (b) IRS compensation limit.)	\$305,000	\$305,000	\$290,000

Step 3: Excess Pay

Retirement eligible pay	\$325,000	\$325,000	\$325,000
401(k) eligible pay	\$305,000	\$305,000	\$290,000
Excess pay Retirement eligible pay minus 401(k) eligible pay	\$20,000	\$20,000	\$35,000

Step 4: DCP Profit Sharing Make Up Contributions

5% of excess pay	\$1,000	\$1,000	\$1,750
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DCP DISTRIBUTION OPTIONS

Distributions

While Employed ("In Service")

- ✓ Paid in year selected
- ✓ First year available is 2026 (4 years after the date of your distribution election)

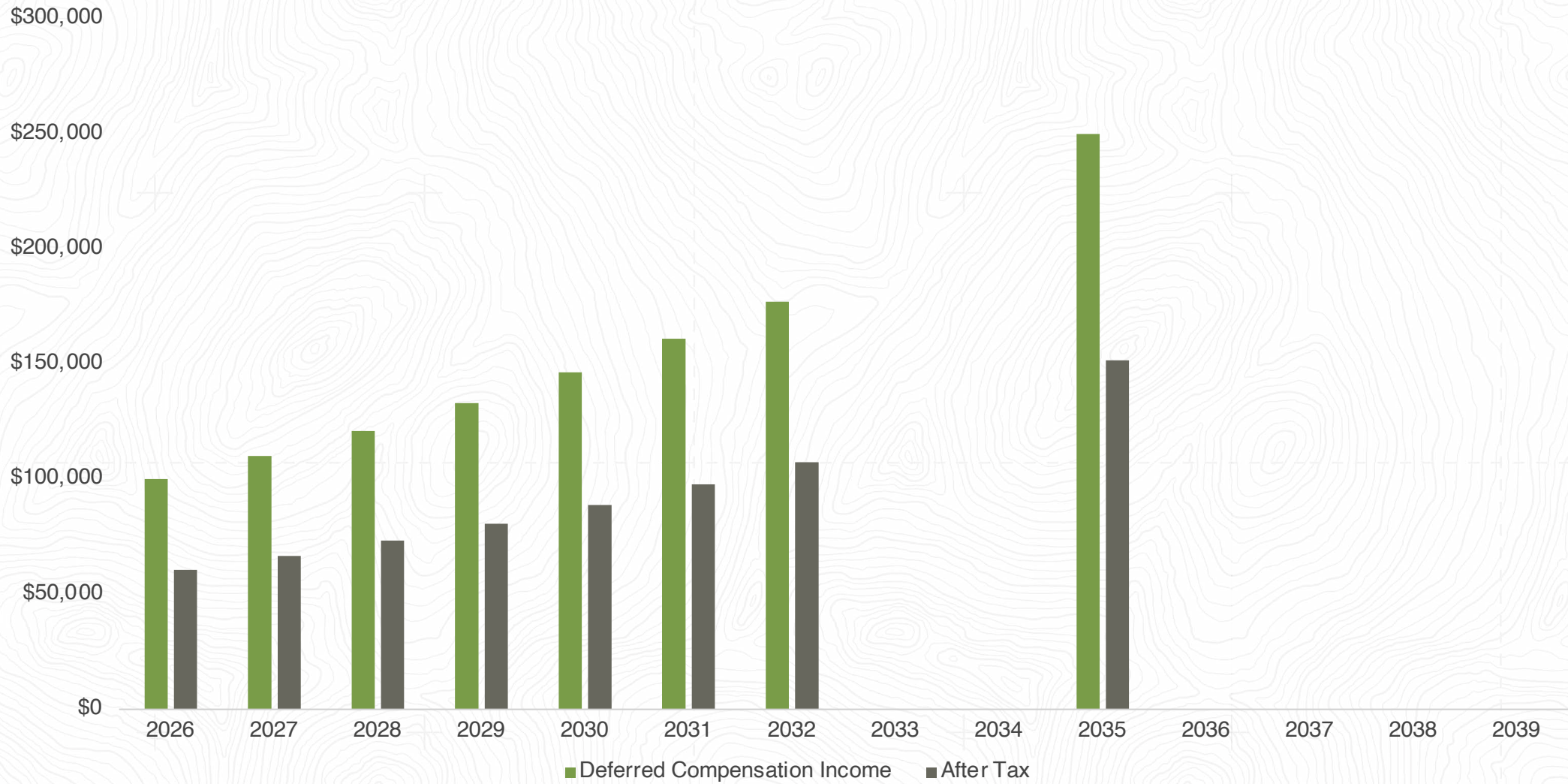
- Paid as Lump sum within the first 90 days of the year

After Employment Ends

- ✓ Paid ~60-100 days after employment. For Key Employees (at time of retirement), payment begins after 6 months

- Lump Sum
- 5-Year Quarterly Installments
- 10-Year Quarterly Installments
- 15-Year Quarterly Installments

DISTRIBUTION TIMELINE



POLL TIME

On a Scale of 1-5, how confident are you that you're maximizing the benefit of your DCP benefit?

CONCLUSION: MAKING YOUR DCP ELECTIONS

- ❑ **ASSESS YOUR RISK IN NIKE**
- ❑ **CALCULATE POTENTIAL TAX SAVINGS**
- ❑ **DETERMINE HOW MUCH YOU CAN FUND & SOURCES OF FUNDING**
- ❑ **TYPICALLY, DEFER AS LONG AS POSSIBLE**

POLL TIME

Overall, how would you rate this webinar?

POLL TIME

Would you like to schedule a personal assessment?

QUESTIONS



THANK YOU



DISCLOSURES

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