NIKE EMPLOYEE PLANNING SERIES

The Nike Deferred Compensation Decision

How to coordinate salary, PSP, payroll taxes, distributions, and retirement timing

Deferred compensation is not simply a tax deduction today. One election window can determine how much salary and PSP bonus will be postponed, when those amounts may be paid, and how future cash flow will interact with retirement, equity income, and taxes. The opportunity can be valuable, but the election must be made before the employee knows the final PSP amount or the future tax environment.

USE TWO DEFERRAL RATES Salary and PSP are separate compensation sources with separate deferral percentages. Nike's 2026 public proxy describes advance elections of up to 75% of annual base salary and up to 100% of bonus for DCP participants. Current eligibility, percentages, and election materials control.

FOLLOW TWO DIFFERENT TIMING CLOCKS An election made in 2026 applies to salary earned in calendar year 2027, but the PSP election applies to the Nike fiscal year beginning in 2027 and ending in 2028—the fiscal-2028 PSP bonus. The PSP choice reaches approximately two calendar years into the future.

CHOOSE THE EXIT BEFORE DEFERRING Each deferral election also requires a distribution decision. A future scheduled payment, lump sum, or installment stream can create very different tax and liquidity outcomes. Changes are limited, and the balance remains an unsecured, at-risk obligation of Nike.

One Election Window—Two Different Compensation Years

Salary and PSP should not be treated as one combined percentage. They arrive on different schedules, affect cash flow differently, and are elected for different compensation periods. A participant may reasonably defer one percentage of recurring salary and a very different percentage of the variable PSP bonus.

THE 2026 ELECTION TIMELINE

2026 — MAKE THE ELECTIONS Select the salary deferral rate, the PSP deferral rate, deemed investment allocations, and the applicable time and form of payment using the current Nike election materials.

2027 — DEFER SALARY The salary election made in 2026 applies to base salary earned during calendar year 2027. Payroll must still retain enough current compensation to cover required employment taxes, benefits, and other deductions.

FISCAL 2028 — DEFER THE PSP BONUS The PSP election made in 2026 applies to the performance year that begins in 2027 and ends May 31, 2028. The resulting fiscal-2028 PSP payment is therefore elected well before the final payout is known.

WHY THE PSP ELECTION REACHES FURTHER

Nike's filed plan applies a salary election to the plan year following the election window. The bonus election applies to the fiscal year that begins during that following plan year. In practical terms, the 2026 salary election governs 2027 salary, while the 2026 PSP election governs the fiscal-2028 PSP bonus. The election must be made before the employee knows company performance, the final bonus, future tax rates, or the employee's complete 2028 cash needs.

BUILD THE TWO RATES SEPARATELY

SALARY RATE Start with monthly cash flow. Estimate take-home pay after the deferral, 401(k), ESPP, insurance, employment taxes, withholding, and fixed household spending. A high percentage can strain liquidity every pay period even when the long-term tax case is attractive.

PSP RATE Treat the PSP as uncertain compensation. Model low, target, and high payout scenarios, then ask how much of each result can be deferred without relying on the bonus for near-term spending, taxes, debt reduction, or investment commitments.

COMBINED CASH-FLOW TEST Overlay RSU and performance-award vesting, option exercises, ESPP purchases or sales, charitable gifts, and estimated tax payments. The correct salary and PSP rates do not have to match; they should produce one sustainable household cash-flow plan.

Income Tax Is Deferred—FICA Follows a Different Timing Rule

When the election and plan operation satisfy applicable federal tax requirements, a DCP deferral postpones federal income-tax recognition until the amount is paid. State income-tax timing depends on residence, compensation source, and the eventual payment form. The deferral does not postpone Social Security and Medicare tax under the same timing rule. Under the special FICA timing rule, nonqualified deferred compensation that constitutes wages is taken into account at the later of when the related services are performed or when the right is no longer subject to a substantial risk of forfeiture, subject to special rules when the amount is not yet reasonably ascertainable.

WHEN THE COMPENSATION IS EARNED OR VESTED

INCOME TAX When the election and plan operation satisfy applicable federal tax requirements, the deferred amount is not included in current federal taxable income and is included when paid. State treatment depends on residence, compensation source, and the eventual payment form.

SOCIAL SECURITY The amount taken into account under the FICA rule is subject to Social Security tax only up to the annual wage base. Many eligible employees may already exceed that limit through other wages, but the payroll record—not an estimate—controls.

MEDICARE Medicare tax has no wage-base ceiling, and Additional Medicare Tax may apply depending on wages and the employee's tax situation. Required FICA may be withheld from compensation that remains payable rather than from the amount credited to the DCP.

WHEN THE DCP LATER PAYS

INCOME TAX BECOMES DUE A taxable DCP distribution is ordinary wage income in the payment year. A lump sum can create one large tax year; installments can spread income but extend exposure to plan, investment, and tax-law changes.

FICA IS NOT CHARGED AGAIN AFTER IT IS TAKEN INTO ACCOUNT Once a deferred amount has been properly taken into account as FICA wages, neither that amount nor the income attributable to it is treated as FICA wages at any later time. Confirm the treatment on payroll and tax records.

WHERE THE PAYROLL-TAX ADVANTAGE COMES FROM

The original deferred salary or PSP does not escape Social Security and Medicare tax. When the deferred compensation constitutes wages, it is taken into account under the special FICA timing rule at the later of service performance or the lapse of a substantial risk of forfeiture, subject to special rules for amounts that are not yet reasonably ascertainable. The advantage is the nonduplication rule: once the deferred amount is taken into account, neither that amount nor income attributable to it is treated as FICA wages again. If other wages already exceed the Social Security wage base when the deferral is taken into account, the incremental payroll tax may be primarily Medicare. The value can grow with the size and duration of the deferral, but it must be weighed against future ordinary-income tax, employer-credit risk, and limited access.

MODEL THE COMPLETE TAX PATH

TODAY Estimate income-tax deferral, FICA withholding, reduced spendable pay, and any effect on quarterly estimates or RSU withholding.

DURING THE DEFERRAL Project deemed investment returns, fees, employer exposure, and the absence of current liquidity. DCP elections are not a substitute for emergency reserves or diversified assets outside Nike-related compensation.

AT DISTRIBUTION Project federal and state income tax, other retirement income, Social Security, required distributions, equity events, charitable giving, and the chosen payout schedule. Do not assume retirement automatically creates a lower marginal rate.

Decide the Exit Before You Defer

Nike's 2026 proxy states that each time participants elect to defer compensation, they also elect how that amount—adjusted for investment performance—will be distributed. This decision deserves the same attention as the deferral percentage because it determines future liquidity and can concentrate taxable income.

DISTRIBUTION CHOICES

SCHEDULED PAYMENT WHILE EMPLOYED The public description permits a lump sum at the beginning of a predetermined year, no sooner than the fourth year after the year the election is submitted. This can fund a planned goal but may create a large tax year while salary and equity income continue.

PAYMENT AFTER EMPLOYMENT ENDS The public description permits a lump sum or quarterly installments over five, ten, or fifteen years after termination of employment or service. Current plan definitions, retirement status, and participant materials control the actual result.

LIMITED CHANGES Participants have limited rights to revise distribution elections. A later change may require advance notice and a substantial payment delay under Section 409A and the plan. Confirm the consequences before changing an existing election.

THE BALANCE IS NOT A 401(k) ACCOUNT

The DCP uses investment options to measure account performance, but the balance is an unsecured, at-risk obligation of Nike and may be lost in financial distress such as bankruptcy. Nike's 2026 proxy also states that elective deferrals are not matched. Separate Nike contributions associated with compensation above qualified-plan limits may apply, but they should not be confused with a match on the participant's deferral.

> **Planning principle:** Deferred compensation is a decision about when—and under what conditions—you will receive and pay tax on income already earned.

QUESTIONS TO RESOLVE BEFORE YOU ELECT

WHAT ARE MY TWO DEFERRAL RATES? Set salary and PSP separately using recurring-pay and variable-bonus cash-flow scenarios.

WHICH YEARS AM I ELECTING FOR? Confirm the calendar year for salary and the later Nike fiscal year for PSP before submitting the election.

WHEN AND HOW WILL EACH ELECTION PAY? Map every outstanding DCP election by scheduled year, lump sum, installment period, and separation treatment.

IS THE TAX BENEFIT WORTH THE TRADEOFFS? Compare current income-tax deferral and FICA treatment with liquidity, future tax concentration, investment risk, and Nike creditor exposure.

Educational overview. Current Nike plan documents, election materials, payroll records, distribution procedures, and professional tax advice control. Sources: NIKE, Inc. 2026 Proxy Statement; NIKE, Inc. Deferred Compensation Plan (SEC-filed restatement effective April 1, 2013); NIKE June 2026 employment-agreement exhibit; IRS Publication 15-A (2026); Treasury Regulations sections 31.3121(v)(2)-1 and 1.409A-2. Reviewed August 2026.