



NIKE EMPLOYEE PLANNING SERIES

Nike Stock in the 401(k)

When a net unrealized appreciation (NUA) strategy may—or may not—make sense

Nike's plan offers a Nike Stock Fund and holds Nike Class B shares. If those shares have appreciated materially above the plan's cost basis, net unrealized appreciation may change how part of the gain is taxed. But NUA is not automatically better than an IRA rollover: the decision depends on basis, timing, liquidity, diversification, and exact distribution procedures—and it must be evaluated before the shares are sold inside the plan or rolled to an IRA.

FOUR DISTRIBUTION PATHS TO EVALUATE

LEAVE THE BALANCE IN THE NIKE PLAN No distribution occurs, so NUA is not used. A later NUA transaction remains possible only if actual Nike shares remain in the plan and the later distribution meets the applicable requirements.

DIRECT ROLLOVER TO A NEW EMPLOYER PLAN If the receiving plan accepts rollovers, eligible pre-tax assets can move without current taxable income. NUA is not completed and is unavailable for Nike shares or proceeds rolled into the new plan.

DIRECT ROLLOVER TO A TRADITIONAL IRA Eligible pre-tax assets can move without current taxable income. NUA is not completed and is unavailable for Nike shares or proceeds rolled into the IRA.

TAKE A CURRENT DISTRIBUTION Cash received after the shares are sold in the plan does not qualify for NUA. The full lump-sum NUA strategy requires actual Nike shares to be distributed in kind after a qualifying event, distribution of the entire same-kind plan balance within one tax year, and confirmation that the plan can complete the transaction. Other eligible assets can be directly rolled over as part of the coordinated distribution.

How NUA Works

In a properly structured NUA transaction, actual Nike shares leave the qualified plan and move in kind to a taxable brokerage account. The plan cost basis attributable to pre-tax amounts is included in ordinary income in the distribution year; participant after-tax basis properly allocable to the shares is not taxed again. The NUA—the appreciation while the shares were in the plan—is not included in income at distribution unless the participant elects otherwise. When the shares are sold, the tax-deferred NUA is treated as long-term capital gain. Any appreciation after distribution is long- or short-term gain based on the post-distribution holding period. Exact basis and reporting depend on contribution sources and the Form 1099-R issued by the plan.

A SIMPLIFIED COMPARISON

Assume Nike shares in the plan are worth \$1,000,000, with \$200,000 of plan cost basis and \$800,000 of NUA. Assume the \$200,000 plan cost basis is attributable to pre-tax plan amounts. The illustration excludes other plan assets, state tax, the net investment income tax, transaction costs, portfolio returns, and personal deductions or credits.

These are hypothetical examples for the purpose of illustrating these financial concepts and is not representative of any specific investment or strategy. Your results may vary.

LEAVE THE BALANCE IN THE NIKE PLAN The \$1,000,000 position remains in the plan, so there is no distribution and no current income tax. NUA is not completed. A later NUA transaction remains possible only if the Nike shares remain in the plan and the later distribution meets the applicable requirements.

NEW EMPLOYER PLAN ROLLOVER If the receiving plan accepts rollovers, a direct rollover of the eligible pre-tax balance does not create current taxable income. NUA is not completed, and the special NUA rule is unavailable for Nike shares or sale proceeds rolled into the receiving plan.

TRADITIONAL IRA ROLLOVER A direct rollover of the eligible pre-tax balance to a traditional IRA does not create current taxable income. NUA is not completed, and the special NUA rule is unavailable for Nike shares or sale proceeds rolled into the IRA. Later taxable IRA distributions are ordinary income.

CURRENT DISTRIBUTION - CASH OR IN-KIND NIKE SHARES A cash distribution after the shares are sold in the plan does not qualify for NUA; assuming no rollover, the taxable pre-tax amount is ordinary income and the 10% additional tax may apply. If the lump-sum requirements are met, actual Nike shares can instead be distributed in kind to a taxable account: the \$200,000 pre-tax cost basis is ordinary income in the distribution year, the \$800,000 NUA is deferred until sale and then treated as long-term capital gain, and other eligible plan assets can be directly rolled over.

FOUR REQUIREMENTS BEFORE EXECUTION

- 1. A QUALIFYING EVENT** For an employee, the applicable events include separation from service, reaching age 59½, or death. Disability is a qualifying event under the lump-sum rule for a self-employed participant, not a separate employee trigger.
- 2. THE ENTIRE BALANCE IN ONE TAX YEAR** The participant's entire balance from all of the employer's qualified plans of the same kind must be distributed within a single tax year. The Nike shares can move to a taxable account while other eligible assets move by direct rollover, but the complete distribution must be coordinated. A partial distribution after the triggering event can prevent a later payment from satisfying the lump-sum rule unless another qualifying event occurs.
- 3. EMPLOYER SHARES DISTRIBUTED IN KIND** The strategy depends on receiving employer securities—not cash after the shares are sold inside the plan. Do not place a trade or IRA rollover instruction until the treatment of the Nike Stock Fund and the delivery of actual shares are documented.
- 4. CURRENT PLAN PROCEDURES CONFIRMED** Nike's public filing identifies Fidelity as recordkeeper and describes lump-sum payments or transfers after termination, but it does not specify an NUA workflow. Confirm eligibility, share delivery, cost-basis records, timing, withholding, and required forms directly with Fidelity and the current plan documents.

When NUA May Help—and When It May Not

NUA is a tax election, not an investment recommendation. Its value depends on tax-rate differences, tax timing, concentration risk, and the alternatives available in the plan or an IRA.

NUA MAY DESERVE CLOSER REVIEW WHEN

The plan cost basis is low relative to market value; the projected capital-gain treatment compares favorably with current basis taxation and future ordinary-income withdrawals; and the participant has liquidity for the current tax plus a deliberate plan for Nike exposure across the 401(k), equity awards, ESPP, and brokerage accounts.

NUA MAY BE LESS ATTRACTIVE WHEN

The basis is high or current ordinary-income tax is costly; long-term IRA deferral, rebalancing flexibility, or simpler administration is more valuable; or the taxable Nike position would create unacceptable concentration. Nike's 10% and 20% Stock Fund rules are plan guardrails—not personalized risk targets or proof of NUA eligibility.

SOURCE-LEVEL RECORDS CONTROL THE ANALYSIS

Separate pre-tax, match, profit-sharing, rollover, non-Roth after-tax, Roth, and converted sources. Do not assume participant basis or Roth sources reduce the taxable basis of the distributed shares without confirmation from Fidelity and the tax professional preparing the return. Verify the final Form 1099-R, including NUA reported in box 6.

Planning principle: NUA is not a stock recommendation. It is a tax election that must be evaluated before the rollover.

QUESTIONS TO RESOLVE BEFORE YOU ACT

WHAT IS THE PLAN'S COST BASIS? Request fair value, share count, and plan cost basis by source, plus the expected tax reporting.

HAS A QUALIFYING EVENT OCCURRED? Document the event and confirm the entire balance can be distributed within one tax year.

CAN FIDELITY DISTRIBUTE ACTUAL SHARES IN KIND? Confirm Stock Fund treatment, receiving-account registration, timing, withholding, and fractional shares.

IS THE TAX SAVING WORTH THE RISK? Compare NUA and IRA outcomes after taxes, returns, concentration, liquidity, fees, and execution risk.

Educational overview. Current plan documents, Fidelity distribution procedures, source-level cost-basis records, and professional tax advice control. Sources: NIKE, Inc. 2025 Form 11-K; IRS Publication 575; IRS Topic 412; IRS Notice 2014-54; IRS Notice 2018-74; and 2026 Instructions for Forms 1099-R and 5498. Reviewed August 2026.

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