
NIKE EMPLOYEE PLANNING SERIES

# The Nike Tax Diversification Decision

## How to coordinate pre-tax, Roth, after-tax, and taxable money across a lifetime

> *The objective is not to prove that Roth always wins or that every Nike employee should make the same election. It is to build enough tax diversification that future decisions are not controlled by one tax treatment. A coordinated mix of pre-tax, Roth, non-Roth after-tax, taxable, and deferred-compensation assets can create choices about when income appears on a tax return and which account funds the next goal.*

**KNOW THE TAX PROMISE** Pre-tax contributions may reduce taxable income now; distributions of pre-tax contributions and earnings are included in ordinary income unless rolled over in an eligible transaction or excluded under another applicable rule. Roth contributions use after-tax dollars and can produce tax-free qualified withdrawals. Taxable accounts sacrifice the retirement-plan shelter but preserve access and capital-gain planning flexibility.

**USE AFTER-TAX AS A BRIDGE** Nike's non-Roth after-tax contribution is not Roth money by itself. Its strategic value can come from a timely in-plan Roth conversion that limits the buildup of taxable earnings. Confirm the current 3% contribution cap and conversion workflow in Nike's participant materials before acting.

**PLAN ACROSS LIFE STAGES** The best mix can change between high-earning Nike years, a career transition, early retirement, Social Security and Medicare enrollment, required-distribution years, and an eventual legacy. Annual elections should be tested against that lifetime income map.

# Pre-Tax, Roth, and After-Tax Are Different Tools

The earlier 401(k) paper addressed contribution mechanics. This paper asks a different question: what kind of future tax flexibility is each dollar buying? The categories should not be blended together, because each makes a different promise about current tax cost, future tax treatment, access, and control.

## THE FOUR CORE TAX BUCKETS

**PRE-TAX 401(K)** Employee deferrals may lower current federal taxable income, while taxable distributions are included in ordinary income. Pre-tax contributions can be especially valuable when the current marginal rate is high, but a large balance also creates future taxable withdrawals and required minimum distributions.

**ROTH 401(K)** Contributions are taxed today. A distribution is qualified and excluded from gross income when the applicable five-tax-year period is satisfied and the payment is made on or after age 59½, after death, or because of disability. Designated Roth accounts no longer require lifetime distributions for the owner, but the current tax cost must still be justified.

**NON-ROTH AFTER-TAX** Contributions have already been taxed, but their earnings are tax-deferred and included in taxable income when distributed or converted to Roth; future Roth earnings can be tax-free when qualified-distribution requirements are met. Nike currently limits this contribution source to 3% of eligible compensation. When the plan permits recurring in-plan conversions, converting promptly can keep future earnings in the Roth bucket; current plan procedures control.

**TAXABLE ACCOUNTS** This paper discusses only stock options granted by Nike as part of an employee's equity-compensation package; it does not discuss exchange-traded options or options-trading strategies. Cash and diversified brokerage assets funded from salary, vested awards, ESPP sales, or proceeds from selling shares acquired by exercising Nike employee stock options granted as equity compensation provide access without a retirement-plan distribution. Interest, dividends, and realized gains can create annual tax, but specific-lot sales, loss harvesting, charitable gifts, and capital-gain timing offer a different kind of control.

## OTHER FUTURE ORDINARY INCOME

**DEFERRED COMPENSATION** Nike deferred compensation is not another 401(k). It can postpone ordinary income, but the payout schedule may create taxable income in years that also contain equity sales, Roth conversions, Social Security, or Medicare. It also remains subject to the plan's terms and employer-credit risk.

> **Planning principle:** Tax diversification is the ability to choose which bucket funds a decision. It does not require predicting future tax law perfectly, and it does not mean dividing every contribution equally.

2026 federal context: the elective-deferral limit is $24,500; the general age-50 catch-up is $8,000; the age-60-to-63 catch-up is $11,250; and the defined-contribution annual-additions limit is $72,000. Nike plan terms, eligible compensation, employer contributions, and the 3% after-tax cap determine actual capacity.

# Build a Lifetime Tax Map

The highest-value election is rarely found by looking at one tax year. Place salary, PSP, equity awards, deferred-compensation payments, portfolio income, Social Security, and future required distributions on the same timeline. Then decide where a current deduction or a current Roth tax payment has the greatest lifetime value.

### 1. HIGH-EARNING NIKE YEARS

**BALANCE TODAY AND TOMORROW** Pre-tax deferrals may be attractive when current income and marginal tax rates are high. Roth contributions or conversions can still be valuable when the household would otherwise enter retirement with nearly every dollar taxable as ordinary income. Coordinate the election with salary, PSP, vesting income, activity involving Nike employee stock options granted as equity compensation, and deferred-compensation elections.

### 2. TRANSITION AND EARLY-RETIREMENT YEARS

**MODEL THE CONVERSION WINDOW** The years after separation and before Social Security or required distributions may create room for Roth conversions. Model the amount year by year instead of using an all-or-nothing rule. An in-plan Roth rollover includes the taxable portion in income for the rollover year and cannot be undone.

**WATCH THE TAX RETURN AROUND IT** Higher adjusted gross income can affect estimated taxes, the taxation of Social Security benefits, income-related Medicare premiums, exposure of other investment income to the net investment income tax, and, before age 65, potential health-insurance subsidies. For Medicare IRMAA, SSA uses tax-return information from two years before the premium year when available; a three-year-old return or a life-changing-event adjustment can apply in other cases.

### 3. SOCIAL SECURITY, MEDICARE, AND RMD YEARS

**PRESERVE WITHDRAWAL CHOICE** Pre-tax withdrawals can increase ordinary income and may cause more Social Security benefits to become taxable. Qualified Roth withdrawals are excluded from gross income. For an owner, designated Roth accounts have no lifetime required minimum distributions; pre-tax balances are subject to required minimum distributions once the applicable starting age and plan rules are met.

**KNOW THE STARTING AGE** Under current law, the applicable RMD age is 73 for a person born from 1951 through 1958 and 75 for a person born in 1960 or later. Federal regulations reserve the rule for people born in 1959; proposed regulations would set age 73. Current-employer plans, beneficiaries, and other circumstances can change the timing.

### THE NUA COORDINATION CHECK

Do not automatically convert or move every after-tax dollar if the Nike stock NUA strategy remains plausible. IRS guidance treats employer securities transferred in an in-plan Roth rollover as a distribution for NUA purposes. Before conversion, obtain a source-and-basis report and compare 'convert now' with 'preserve basis for a qualifying lump-sum distribution.' Recordkeeper allocation methods, current plan procedures, and tax advice control the result.

> **Planning principle:** The right conversion amount is the amount that improves the lifetime plan after current tax, future ordinary income, Medicare timing, liquidity, and any NUA opportunity are considered together.

# Turn Annual Elections Into a Lifetime Strategy

Tax diversification is built one election, conversion, distribution, and liquidity decision at a time. A written sequence keeps the household from maximizing one account while unintentionally creating a future tax concentration elsewhere.

## A PRACTICAL ANNUAL DECISION SEQUENCE

**1. SECURE THE FULL MATCH** Start with the contribution level required for Nike's full employer match, subject to current plan eligibility and contribution rules.

**2. CHOOSE THE REGULAR DEFERRAL MIX** Compare today's marginal tax cost with the household's future income map. Use pre-tax for a valuable current deduction and Roth for future tax-free flexibility; the answer can be a blend.

**3. EVALUATE NIKE'S 3% AFTER-TAX PATHWAY** Determine whether cash flow supports the contribution, confirm whether recurring in-plan conversion is active, and understand how quickly earnings are converted. Non-Roth after-tax is not Roth until the conversion occurs.

**4. PRESERVE NUA UNTIL IT IS ANALYZED** If Nike stock remains in the 401(k), review Paper #5 and obtain source-level cost-basis records before an in-plan conversion, rollover, stock sale, or distribution makes the NUA strategy unavailable.

**5. MAINTAIN TAXABLE LIQUIDITY** Do not direct every available dollar into retirement or deferred-compensation accounts if near-term taxes, spending, a career transition, or an early-retirement bridge require accessible assets.

**6. REVIEW THE FULL TIMELINE** Revisit the mix after compensation changes, a major vest or the exercise of a Nike employee stock option granted as equity compensation, deferred-compensation elections, retirement-date changes, tax-law changes, and the approach of Medicare or an RMD starting age.

## QUESTIONS TO RESOLVE BEFORE THE NEXT ELECTION

**WHAT TAX BUCKETS DO WE ALREADY HAVE?** Inventory pre-tax, Roth, after-tax basis, taxable assets, and scheduled deferred-compensation income.

**WHAT FUTURE INCOME IS ALREADY SCHEDULED?** Map salary, PSP, equity awards, deferred-compensation payouts, Social Security, and expected RMDs.

**HOW WILL AFTER-TAX MONEY BECOME ROTH?** Confirm Nike's current 3% limit, recurring-conversion settings, timing, taxes, and source-account records.

**WHAT COULD A CONVERSION AFFECT?** Model current tax, cash to pay it, Medicare timing, Social Security taxation, NIIT exposure, and NUA before acting.

Educational overview. Current Nike Retirement Savings Plan documents, participant election materials, source-account records, conversion procedures, and professional tax advice control. Sources: IRS Notice 2025-67; IRS, Roth Account in Your Retirement Plan; IRS Publication 575 (2025); IRS, Rollovers of After-Tax Contributions in Retirement Plans; Treasury Regulations under IRC §401(a)(9); SSA, Medicare Premiums; Medicare, 2026 Medicare Costs. Reviewed August 2026.

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