



## What is a Nonqualified Plan?

## Why High-Earning Executives Value Nonqualified Plans

The video explains that a nonqualified deferred-compensation plan (NQDC) is a selective savings vehicle designed for roughly the top 10 percent of your workforce—those who routinely bump against 401(k) or 403(b) contribution ceilings. Because NQDCs are exempt from many IRS limits and most ERISA nondiscrimination rules, sponsors can:

- Lift the lid on deferrals and matches. Participants may defer a much larger share of salary, bonuses, or commissions, while employers can layer on uncapped matching or discretionary credits.
- Customize eligibility and vesting. Plans can target only highly compensated employees and use bespoke vesting schedules to sharpen retention incentives.
- Offer broader investment choice and flexible payouts. Recordkeepers often mirror or expand the qualified-plan menu and let executives schedule in-service or post-retirement distributions that align with future cash-flow needs and tax planning.

## Sponsor Benefits at a Glance

- Recruitment & retention edge in competitive talent markets
- Minimal ERISA reporting—no Form 5500 filing, no annual audit
- Administrative efficiencies when the NQDC rides on the same record-keeper platform as the qualified plan

## Key Trade-Offs to Weigh

- Assets remain unfunded and subject to corporate creditors, so financial-health monitoring is critical.
- Plan design must respect Section 409A timing rules for deferral elections and distributions to avoid adverse taxes.
- Because payouts are taxable as ordinary income to participants, sponsors should evaluate whether future tax-rate trends support the plan's appeal.

## When Demand Peaks

Interest in nonqualified plans typically rises when top tax brackets are expected to increase, markets are strong, and unemployment is low—all factors that push executives to seek additional, tax-efficient savings space.

To download a copy of the transcript, [click here](#).

---

### Legal Notice

This material is intended to be informational only and does not constitute legal, accounting, or tax advice. Please consult the appropriate legal, accounting, or tax advisor if you require such advice. The opinions expressed in this report are subject to change without notice. This material has been prepared or is distributed solely for informational purposes. It may not apply to all investors or all situations and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy. The information and statistics in this report are from sources believed to be reliable but are not guaranteed by CAPTRUST Financial Advisors to be accurate or complete. All publication rights reserved. None of the material in this publication may be reproduced in any form without the express written permission of CAPTRUST: 919.870.6822.

© 2026 CAPTRUST Financial Advisors

---