Driving better financial outcomes for key employees

2026 Newport/PLANSPONSOR NQDC Plan Trends Survey

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The power of NQDC plans to fuel **financial wellness**

Mike Dunn
President, Newport

One point that emerged from the 2026 Newport/PLANSPONSOR NQDC Plan Trends Survey data: Plan sponsors are more focused than ever on supporting the financial well-being of their most crucial talent. And they see nonqualified deferred compensation (NQDC) plans as a powerful tool to help achieve that goal.

The rise in financial anxiety affecting all employees, including executives, played a key role in our Newport team's analysis of survey responses from more than 200 plan sponsors.

Along with analyzing how NQDC plans helped ease that financial anxiety, we explored plan sponsors' satisfaction with key areas, such as education, technology, and plan design. We drew on real-world examples from our experts' many years of experience working with plan sponsors and advisors. Finally, we looked to provide practical ideas for plan sponsors and advisors to make these plans more effective and efficient.

Newport is committed to providing plan sponsors, advisors, and stakeholders with the data and insights they need to deliver executive benefits that support their talent—and their talent goals. For the past eight years with PLANSPONSOR as our research partner, and almost two decades in total, we've conducted one of the most comprehensive NQDC plan surveys in the financial-services industry.

I'm pleased to provide you with Newport's thinking on the NQDC plan issues that sponsors have told us matter most. I hope you find the information here helpful in the course of your business.

Mike

Results at a glance

More than 200 employers shared their views on NQDC plans with Newport and PLANSPONSOR through an in-depth 2026 survey—one of the most comprehensive in the financial-services industry. Following is a summary of key findings that our NQDC plan experts identified in the results.

NQDC plans help achieve employers' top priorities

Almost 90% of plan sponsors found these plans to be effective support for longer-term financial wellness—a top priority for 71% of sponsors. In addition, more than 80% found them effective for attraction and retention, which was a top priority for 79% of sponsors.

Clear communication and financial-wellness support presented opportunities to help boost participant understanding and engagement

Plan sponsors recognized that opportunities still existed to clarify differences between qualified and NQDC plans. Almost 60% of plan sponsors planned to implement communication and education improvements over the next 12-18 months. In addition, almost 20% of sponsors planned to add financial counseling/wellness support to address NQDC plan deferrals, distributions, and investment selections.

Providers' specialized NQDC plan knowledge mattered to sponsors

More than 92% of sponsors valued specialized NQDC plan providers. More than 30% of sponsors saying that they recently changed providers said they did so because they were dissatisfied with their service team, the provider's services, or cost.

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Results at a glance

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AI's top areas to help optimize NQDC plan use were modeling tools and communications

Plan sponsors viewed deferral modeling, at 84%, and distribution-timing scenario modeling and communication/education, both at 79%, as the top areas where AI could make a difference to their NQDC plan offering in the near term.

Technology improvements could increase participants' satisfaction with their NQDC plans

While plan sponsors viewed participants as generally satisfied with the technology associated with these plans, this category rated the lowest in satisfaction, with about 40% of sponsors saying they were only somewhat satisfied.

Modern plan design and a specialized NQDC plan platform were ways to counter irrevocable-election-rule challenges

Almost 30% of plan sponsors said irrevocable election rules were a barrier to NQDC plan participation. Sponsors could evaluate plan designs to ensure they took advantage of §409A provisions such as flex accounts, distribution modifications, and mid-year bonus deferral elections. They could also seek out providers with a platform designed specifically for NQDC plans to streamline plan administration and reduce potentially costly errors and corrections.

Matching NQDC plan contributions were seen as effective to help make up for "lost" benefits

More than 50% of plan sponsors offered excess match contributions to restore retirement benefits lost due to regulatory limits.

About the survey

In 2026, Newport and PLANSPONSOR collaborated for the fourth time biennially to survey a range of organizations that sponsor NQDC plans. The goal: To create a snapshot of the current state of NQDC plans and identify key issues on plan sponsors' minds.

Newport and PLANSPONSOR created a comprehensive set of more than 75 questions. Along with organizational basics, questions focused on the topics plan sponsors cared about most, including plan design, investment options, communication strategies, plan financing methods, and technology. Feedback from past surveys of plan sponsors and advisors played a key role in shaping this year's questions.

PLANSPONSOR fielded the survey from March 30-April 17, 2026, reaching out to subscribers and employers of varying sizes from more than 40 industries and subindustries. More than 200 (203) employers across more than 45 industries responded. Employee size ranged from fewer than 500 through 10,000+ employees. Business revenue spanned from under \$250M through \$50B+. For-profit enterprises made up 87% of respondents, with the balance from non-profit organizations.

Number of employees

1–499	9%
500–1,000	10%
1,001–2,500	12%
2,501–5,000	17%
5,001–10,000	16%
10,000+	35%

Public vs. private

Public	62%
Private	38%

Tax status

For-profit	87%
Tax-exempt (under IRC 501(c))	12%
Governmental tax-exempt	1%

Organization structure

C corporation	74%
Limited liability company	16%
S corporation	9%
Partnership	1%
Sole proprietorship	1%

Annual sales/revenue

Under \$250M	5%
\$250M–\$500M	10%
\$500M–\$1B	12%
\$1B–\$5B	29%
\$5B–\$10B	19%
\$10B–\$20B	8%
\$20B–\$50B	12%
\$50B+	6%

Industries represented (top 10)

Manufacturing	26%
Financial services	18%
Healthcare & pharma	9%
Retail & consumer	8%
Energy & utilities	7%
Insurance	6%
Technology	5%
Transportation & logistics	5%
Real estate & construction	5%
Nonprofit & education	3%

All company-submitted data is kept strictly confidential. Only aggregate results are reported so as not to disclose any individually reported information.

Key findings

Financial anxiety is on the rise across all income levels, and highly compensated employees and executives are not an exception. A 2026 PwC survey found that 59% of employees are stressed about money, while a 2026 Goldman Sachs study found that 40% of high earners making $300,000 or more said they live paycheck to paycheck.

As a growing body of scientific research has shown, there is a connection between financial and physical well-being. Many employers, in response to this awareness, have expanded their benefits offerings to include financial wellness, planning, and advice support.

Naturally, they have looked at their benefit and retirement plans to find added levers to pull to help alleviate employees' concern about their future financial security.

To support critical talent needed for organizational success, they have increasingly turned to nonqualified deferred compensation (NQDC) plans. These plans enable highly compensated talent to save for retirement and other longer-term financial goals in a tax-efficient way. When used as part of a holistic financial-wellness approach, participating in these plans can give top talent greater confidence in their financial futures.

Newport's NQDC plan experts and research specialists took a deep dive into the data gathered from the 2026 Newport/PLANSPONSOR NQDC Plan Trends Survey. This report presents Newport's findings, combined with our professionals' observations from experiences working with plan sponsors and advisors.

Participating in an NQDC plan can give top talent greater confidence in their financial futures.

KEY FINDINGS

Reasons for offering NQDC plans

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Reasons for offering NQDC plans

When it comes to benefit offerings for key employees, such as NQDC plans, supporting reasons commonly include the perennial needs for:

- Recruitment and retention
- Longer-term financial wellness support
- Tax-efficient compensation

Attracting and retaining employees again was the #1 reason given by plan sponsors

Attracting and retaining talent, once again, was the most-cited reason that plan sponsors offered NQDC plans. At 79%, this objective rose about 4% over the 2024 NQDC plan study.

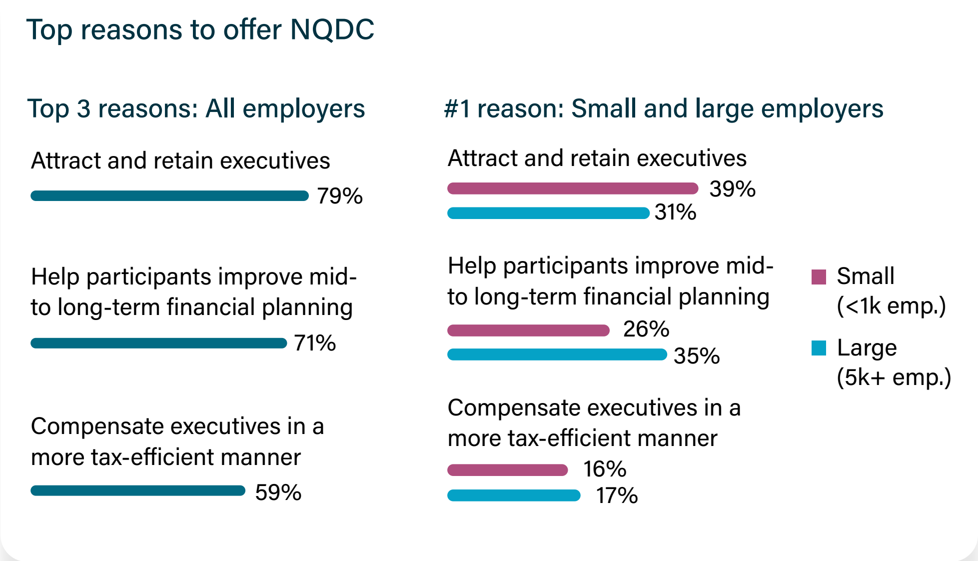
Company size influenced the top priority

An interesting difference emerged when examining data by the size of the company.

Employers with fewer than 1,000 employees ranked attracting and retaining talent as their number-one priority. Meanwhile, employers with more than 5,000 employees ranked helping participants improve their mid- to long-term financial planning situation as their number-one priority.

This modest difference in company priorities was likely due to larger organizations' human-resources scale functions, where one or more staff members may specialize in benefit plan administration. Smaller organizations commonly have HR staff who must balance responsibilities across multiple disciplines.

In addition, smaller plan sponsors in the start-up stage commonly view goals from a "What we need to stabilize and grow" lens. They recognize that supporting the financial wellness of key talent is what attracts them to the organization.



FINANCIAL WELLNESS AND TALENT ATTRACTION/RETENTION:

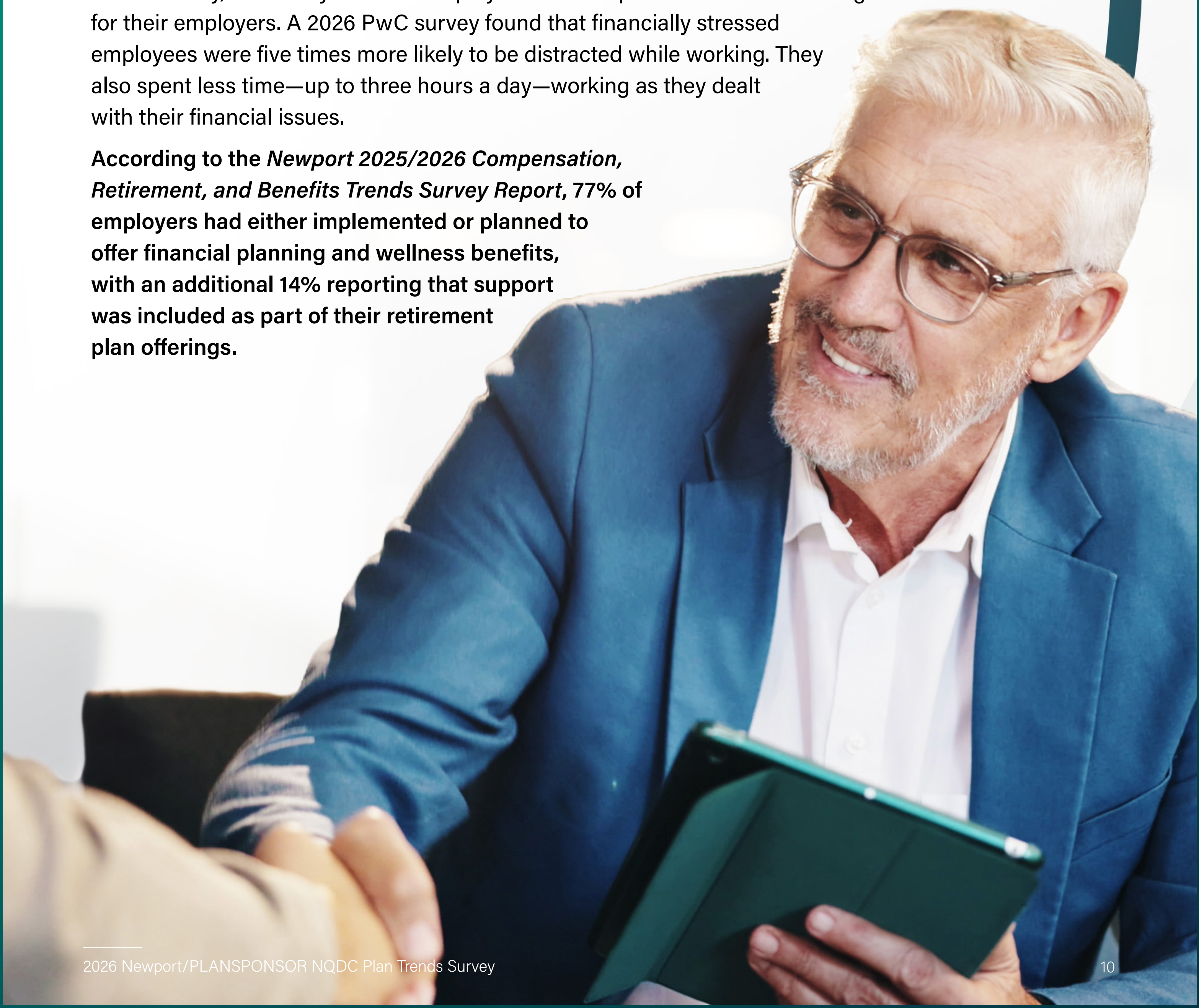
One leads to the other

Employers recognize that helping employees with their financial health facilitates attracting and retaining quality talent.

Employees stressed about finances are often at higher risk to leave their employers, regardless of how challenging the hiring environment. For example, a 2026 Your Money Line survey found that almost 70% of employees were considering a job or hours change in response to financial stress.

More broadly, financially stressed employees are less productive while working for their employers. A 2026 PwC survey found that financially stressed employees were five times more likely to be distracted while working. They also spent less time—up to three hours a day—working as they dealt with their financial issues.

According to the *Newport 2025/2026 Compensation, Retirement, and Benefits Trends Survey Report*, 77% of employers had either implemented or planned to offer financial planning and wellness benefits, with an additional 14% reporting that support was included as part of their retirement plan offerings.



Why plan sponsors offer NQDC plans

Goals and priorities	2026 rank	2024 rank	Change
Attract/retain executives	1	1	No change
Accumulate retirement/financial planning assets	2	2	No change
Tax-efficient compensation	3	4	▲ Up 1
Be competitive with peers	4	3	▼ Down 1
Discretionary/ matching contributions	5	6	▲ Up 1
Increase stock/equity ownership	6	7	▲ Up 1
In-service accounts (2024 only)	N/A	5	No change

Tax-efficient compensation was the third most important goal

Compensating executives in a tax-efficient manner, at 59%, moved into the number three priority spot. Heightened visibility around the issue of taxation for highly compensated employees could be a factor in this change.

A growing number of states have proposed or enacted additional taxes on high income earners. Employers and advisors have reacted to that trend by increasing the availability and awareness of NQDC plans. In addition, because deferred compensation is taxed at **distribution rather than when earned**, the state of residence at the time of distribution has become a larger part of the NQDC plan equation.

A potential solution for failed nondiscrimination testing

Becoming more familiar with the benefits these plans offer can help plan sponsors overcome a challenge that 20% of respondents identified: failing nondiscrimination testing in their qualified plans and having to return excess contributions to their highly compensated employees.

This situation hampers key employees' ability to save for retirement. The impact goes beyond the tax benefits of saving in a tax-advantaged retirement plan. It extends to the very action of saving regularly for future financial needs.

The issue of effectiveness was considered through two lenses of importance to plan sponsors: meeting the organization's top priorities and participation rates.

What holds employers back from offering NQDC plans

While the overwhelming majority of survey respondents said they offered NQDC plans, about 10% said they did not. Of those, 39% said they had other benefit or compensation priorities, while 26% said they already offered robust benefits. Meanwhile, 22% were not familiar with NQDC plans.

A growing number of states have proposed or enacted additional taxes on high-income earners. As a result, compensating key talent tax-efficiently rose in importance to plan sponsors over 2024.

KEY FINDINGS

NQDC plan effectiveness

KEY FINDINGS

NQDC plan effectiveness

Plan sponsors overwhelmingly feel that NQDC plans were effective in meeting their top priorities.

A vast majority—88%—said that NQDC plans were **effective** for longer-term financial planning and wellness, while 60% found them **extremely or very effective.**

Given employers' broader focus on financial wellness as a support to help reduce employees' longer-term financial stress as well as a talent draw, this view was particularly positive.

Regarding attracting and retaining top talent, 83% said they saw NQDC plans as effective.

Comfortable with participation rates

Plan sponsors, at 72%, said that their participation rates were acceptable. However, 28% of sponsors reported either actively working to increase participation or wanting to see it rise.

83%

said NQDC plans were effective for attracting and retaining top talent

88%

said NQDC plans were effective for longer-term financial planning

60%

said these plans were extremely or very effective supporting financial planning

WHAT CLIENTS EXPERIENCE: NEWPORT'S VIEW

Financial wellness

There is a common assumption that once someone reaches an executive level, financial stress disappears, but the reality is often the opposite. Executives' financial lives often are more complex: equity compensation, present and future tax situations, present and future liquidity needs, and more. When organizations provide a contemporary NQDC plan, leaders have an additional way to manage that complexity. That is where the real value shows up.

Even senior leaders feel financial pressure. NQDC plans offer them a tax-smart way to meet specific nearer-term savings objectives needs, along with future financial goals.

KEY FINDINGS

Participant satisfaction

KEY FINDINGS

Participant satisfaction

Plan sponsors shared their views on participant satisfaction on an array of issues.

Plan sponsor view of participant satisfaction

Priority ranking 1 - 7 (1 = best)

	2026 rank	Trend
Impact on retirement and other financial planning preparedness	1	▲ Up 2
Investment choices	2	▼ Down 1
Customer service	3	New
Plan communication	4	▲ Up 1
Ability to organize savings based on goals (retirement, college, new house, etc.)	5	New
Plan education	6	▼ Down 1
Participant technology	7	▼ Down 3

Highest satisfaction levels with NQDC plans' effect on retirement and financial planning

The most positive view, at 77%, was that participants were satisfied with the impact of NQDC plans on retirement and other financial planning preparedness. Investment menu choices came in as a close second, at 74%. These results differed from 2024, where satisfaction with investment choices ranked first and impact of NQDC plans on retirement came in third.

WHAT CLIENTS EXPERIENCE: NEWPORT'S VIEW

Talent attractor

One Newport client in the financial services industry shared that, in a recent senior-level recruitment, the salary, bonus, and equity package got them to the final round with an executive candidate. However, it was the entire benefits offering, including the NQDC plan, with an attractive match and vesting schedule, which closed the deal. When candidates see a well-designed NQDC plan, it signals that the company understands executive-level financial planning needs. That understanding can become the tie-breaker between two otherwise competitive offers.

NQDC plans help win talent, not just match compensation.

The recognition of how NQDC plans help participants feel better prepared for future financial needs was a positive change. A possible contributor to this shift: employers' increasing focus on financial wellness as a top priority, as noted earlier.

Technology satisfaction could be better

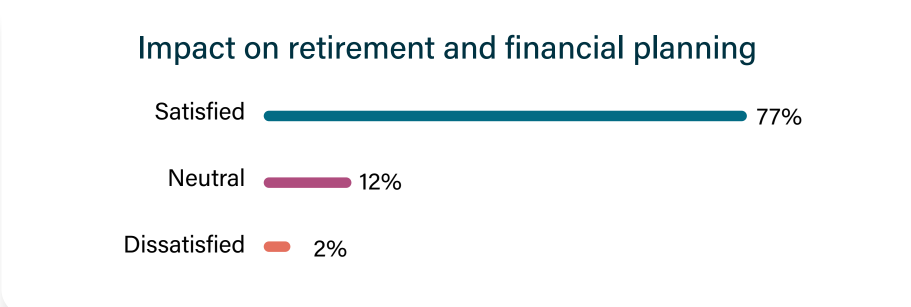
Conversely, 43% saw that participant satisfaction with technology could be improved. This view aligned with observations from McKinsey. In their April *2025 Retirement Industry at a Crossroads* report, they found that participants said they were most dissatisfied with retirement providers' "website chat function, education and communications, and mobile app."

Size influenced satisfaction with plan education and participant services

Plan sponsors with revenues greater than $20 billion said their participants were much more satisfied with plan education and participant services than those with revenues under $1 billion.

For plan education, 86% of larger sponsors said their participants were satisfied with education compared to 56% of smaller ones. Meanwhile, 83% of larger sponsors said their participants were satisfied with customer services, compared to 72% of smaller sponsors.

77% of plan sponsors said they were satisfied with NQDC plans' impact on retirement and financial planning.



WHAT CLIENTS EXPERIENCE: NEWPORT'S VIEW

An executive's feeling of financial control

One of Newport's advisor partners heard from a client's chief human-resources officer (CHRO) that one of their most senior executives had always been a high earner, but never felt confident about his long-term financial readiness, given the limits of qualified plans. After enrolling in the NQDC plan and seeing a clear path to replace meaningful income in retirement, the executive described it as the first time he felt truly "in control" of his and his family's overall financial planning.

That shift from uncertainty to confidence improved the executive's engagement at work. It also demonstrated the company's commitment to support financial wellness for its valued talent.

TECHNOLOGY EXPECTATIONS AFFECT SATISFACTION

Mobile rules

Retirement plan access through mobile apps continues to rise. As Corporate Insight found in their Retirement Plan Participant Benchmark Survey, in 2025, approximately 25% of all respondents access their retirement plan only via a mobile app.

In addition, participants (including those in NQDC plans) continue to have high expectations for mobile apps. They want the same frictionless experiences they get when they watch a video through Netflix, listen to their Spotify playlists, or buy household essentials from Amazon.

Mobile and other digital plan experiences, including financial-wellness services, have been increasingly integrated in NQDC plan administration. As enhancements continue to roll out, plan sponsor views of participant satisfaction with technology are also likely to improve.

KEY FINDINGS

Plan sponsor satisfaction

KEY FINDINGS

Plan sponsor satisfaction

Plan sponsor satisfaction with the elements of their NQDC plans was high overall. However, some areas experienced declines over 2024's very high ratings.

Satisfaction with websites declined

Although still ranking in the top five, satisfaction with both plan sponsor and participant websites was down somewhat from 2024. Overall satisfaction with plan sponsor websites was still high at 88%, but down from 2024's 92%. Meanwhile, overall satisfaction with participant websites was 83%, down from 2024's 93%.

The data shows us that expectations for web experiences have increased as digital use has become integral to daily life. As noted previously regarding mobile, plan sponsors and participants expect intuitive, personalized, seamless digital experiences built around their needs.

2026 vs. 2024 satisfaction comparison

	Satisfied*			Not satisfied		
Categories	**2026**	**2024**	**Change**	**2026**	**2024**	**Change**
Accuracy of participant balances and transactions	**94%**	94%	0%	**5%**	6%	-1%
Ease of accessing participant information	**93%**	93%	0%	**6%**	8%	-2%
IRC §409A risk mitigation	**69%**	89%	-20%	**7%**	11%	-4%
Corporate financial reporting	**80%**	92%	-12%	**7%**	8%	-1%
Service provider responsiveness	**91%**	94%	-3%	**7%**	6%	1%
NQ plan legislation and tax monitoring	**65%**	85%	-20%	**15%**	14%	1%
Plan sponsor website	**86%**	92%	-5%	**11%**	8%	3%
Participant website	**84%**	93%	-10%	**10%**	7%	3%
Participant call center	**80%**	95%	-16%	**9%**	5%	4%
Communication and education materials	**81%**	89%	-8%	**13%**	11%	2%

* Includes Very Satisfied and Satisfied ratings

.COM

Plan sponsors' higher expectations for web experiences are likely contributors to decreases in website satisfaction rates.

THE IMPORTANCE OF NQDC EXPERTISE

Specialized plan providers delivered value

Plan sponsor satisfaction with critical administration services they received from their providers was high.

Accuracy of participant balances and transactions, service provider responsiveness, and ease of accessing participant information ranked highest for satisfaction.

At 92%, the vast majority of plan sponsors expect their providers to have a highly experienced NQDC service team, as well as a deep bench of subject matter experts supporting the plan. They also expect platforms and services that support smooth administration of unique NQDC plan needs.

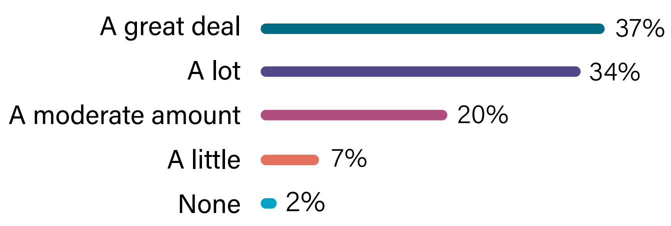
For complex questions, plan sponsors expect clear, confident guidance, giving both administrators and executives peace of mind that every detail is being handled correctly.

This expertise-driven support model has built a level of trust and confidence that shows in the survey results. Expertise matters to sponsors, with more than 70% of sponsors placing a high value on specialized NQDC providers.

When disappointed, plan sponsors voted with their feet

Plan sponsors didn't hesitate to make a change when warranted, with 31% reporting that they switched providers due to dissatisfaction with the service, offerings, or price they received.

How much value do you place on having a NQDC provider that specializes in NQDC plans?



§409A risk mitigation and regulatory/tax monitoring satisfaction also fell

Plan sponsor satisfaction with regulatory support services such as §409A risk mitigation and tax monitoring was lower than 2024 as well. Overall satisfaction with §409A risk mitigation was 69% versus 89% in 2024. The highly satisfied rate also dropped, going from 27% to 17%. Satisfaction with regulatory and tax monitoring went from 85% to 65%.

IRC §409A, the Internal Revenue Code section that regulates NQDC plans, is complex. In addition, in March 2024, the IRS issued a new version of its Nonqualified Deferred Compensation Audit Technique Guide.

From our experts' observations across the industry, plan sponsors' biggest concern is the severity of the consequences of a §409A failure. A single operational error can create tax problems for executives, while fixing them can be costly from a time and expense standpoint.

Newport experts acknowledged the increasing concern plan sponsors have about the consequences of §409A failures.

WHAT CLIENTS EXPERIENCE: NEWPORT'S VIEW

Expertise in action

A new Newport client had not updated their NQDC plan design since shortly after §409A went into effect in late 2004. The HR team drew on specialized-provider expertise to streamline their plan design and plan documents. They also added new, more modern features such as in-service accounts and additional distribution installment payment choices. In addition, they expanded their investment line-up to ensure that it aligned with other retirement plans and their NQDC participant needs.

The new plan design better matched participants' real-life financial situations and was easier for them to understand. It was also more efficient for the organization to manage, as well as more appropriate for the current investment and economic environment.

KEY FINDINGS

Top barriers to participation

KEY FINDINGS

Top barriers to participation

Plan sponsors identified two main issues that can hold eligible employees back from participating in NQDC plans: lack of understanding and irrevocable election rules.

Lack of understanding is an ongoing challenge

NQDC plans have different rules and requirements than the more familiar qualified retirement plans (401(k), 403(b), etc.) that most employees know. These differences present an enduring opportunity to help executives understand the benefit. Forty-six percent of plan sponsors said that lack of understanding was the top barrier to NQDC plan participation.

Participant education is one solution to the challenge

Plan sponsors recognized the importance of providing employees with communications and education that explain NQDC plan benefits and offer guidance on how to use them effectively. Satisfaction with communication and education materials showed downward movement, going from 89% in 2024 to 82% in 2026. Communication and education materials, at 13%, also marked the second highest not-satisfied category.

Sponsors are in the midst of improvements

Many plan sponsors have already begun implementing improvements to communications and education. In 2024, 72% of sponsors said they plan to improve this area of plan experience over the next 12-18 months. In 2026, that number was still relatively high, at 58%. With communication and education changes likely still under way during the survey period, it is understandable that satisfaction results still showed room for improvement.

Almost 60% of plan sponsors expect to implement communication improvements over the next 12-18 months.

WHAT CLIENTS EXPERIENCE: NEWPORT'S VIEW

Messaging coordination

When plan sponsors, advisors, and providers coordinate and collaborate on their education-outreach calendars, participants win. Often, participants get multiple reminder emails about enrollment or election windows from their internal HR/benefits team, their plan provider, and even an organization-sponsored or personal financial advisor. Somewhat counterintuitively, more emails can actually have the opposite effect, reducing overall open and click-through rates.

Collaboration between all the partners communicating with participants helps set an effective cadence of education outreach, maximizing impactful communications.

Ways education can help improve understanding

1. Timing of education materials matters

Many plan sponsors took advantage of digital education/communication vehicles such as personalized emails, webinars, and videos. However, most plan education and communication occurred around specific events, such as enrollment periods and election-deferral windows.

Regular, year-round education communications have proven effective in keeping the plan top-of-mind for participants. In turn, they're more likely to engage in productive financial planning, whether through a plan-sponsor-provided financial wellness tool or conversations with a financial planner.

2. Education needs more financial relevance

NQDC plans come with important decisions that need to be made during the enrollment period, such as irrevocable deferral elections, type of distribution, and time of payment. Participants can struggle with understanding and underestimate the longer-term financial implications of these decisions.

Providing education focused specifically on these more complex issues, in addition to general enrollment and election communications, facilitate better decision-making.

3. Interactive digital experiences may help

Digital experiences can help participants see how abstract concepts apply in real life. Offering interactive digital tools such as cash-flow scenario modeling and interactive calculators can allow participants to see the effects that their decisions around deferrals and distributions could have on their financial well-being.

For example, a distribution-modeling tool can help participants plan for future cash-flow needs based on life events in addition to retirement, such as a second home purchase or child or grandchild's education.

Communication steps to improve plan understanding

- Offer education year round
- Focus messaging on how today's NQDC plan decisions could affect participants' long-term financial lives
- Provide interactive digital tools that bring abstract concepts to life

Year-round education on financial implications of deferral elections and distribution types and timing can help participants make better NQDC plan benefit decisions.

WHAT CLIENTS EXPERIENCE: NEWPORT'S VIEW

Plan design improves education success

Some plan sponsors have plan designs that may be more than a decade old. These older plans can leave out contemporary plan design features, as well as §409A provisions that add flexibility. Along with being more burdensome to administer, older, more stringent plan designs can complicate participant education.

Streamlined plan design that takes advantage of modern recordkeeping and administrative capabilities eases administration for plan sponsors (and their advisors) and boosts participant education effectiveness.

Financial wellness is growing in importance

As noted earlier, a key reason sponsors offer NQDC plans was to support participants' longer-term financial planning.

More than 40% of sponsors offered financial planning and wealth management services, many times provided through advisors, to employees year round. To provide these services when most likely needed, 20% offered them before they needed to make their election deferrals.

In addition, 17% of plan sponsors planned to add financial counseling/wellness support for plan participants specifically to address deferral, distribution, and investment allocation decisions.

These service offerings show plan sponsors' commitment to achieving their priority of supporting employees' financial health and wellness.

41% of employers offer financial planning and wealth management services to participants at any time

20% of employers offer financial planning and wealth management services to participants ahead of election deferrals

17% of employers planned to add financial counseling/wellness support for deferrals, distributions, or investment allocation

Irrevocable election rules can be complex to navigate

NQDC plans have very specific requirements with regards to deferral elections, distribution timing, and tax reporting. Twenty-seven percent of plan sponsors said these irrevocable-election rules were a barrier to plan participation. In addition, of the 35% of sponsors who said they were concerned about increasing participation, 71% of them cited these rules as the biggest participation barrier.

Irrevocable election rules were seen as a barrier to NQDC plan enrollment by 27% of plan sponsors

Modern plan design strategies can help break down this barrier

Steps plan sponsors can take to make irrevocable election rules easier to manage include:

- Taking advantage of §409A provisions such as flex accounts, distribution modifications, and mid-year bonus deferral elections.
- Conducting a plan-diagnostic review every two to three years.
- Confirming that the plan provider has an NQDC-compatible platform. Some providers use a recordkeeping system designed mainly for qualified plans.

WHAT CLIENTS EXPERIENCE: NEWPORT'S VIEW

Designing for contingencies

Eligible employees may have questions about an NQDC plan's design that keep them from participating. One such question is what happens to their deferred compensation if an organization is acquired, merges with another, or even goes bankrupt. Addressing these possibilities provides eligible employees with clarity about what they can expect.

Including plans for contingency operating events gives eligible employees confidence in their future benefits, which often boosts participation.

THE IMPACT OF AI

Where AI could make a difference

An overwhelming number of plan sponsors saw artificial intelligence as a key tool to help combat both lack of understanding and deferral and distribution election management.

Where AI could improve NQDC plan outcomes

Deferral decision modeling	84%
Distribution timing scenarios	79%
Communication and education material	79%
Sponsor administration	42%
Participant confidence	40%

Sponsors put deferral decision modeling as the top way that AI could help optimize NQDC plans, with 84% selecting it. Distribution timing scenarios (another modeling illustration) and communication and education materials tied for second, with 79% each.

KEY FINDINGS

Power of matching contributions

KEY FINDINGS

Power of matching contributions

Matching contributions in an NQDC plan allows plan sponsors to support their highly compensated key employees' financial goals. These contributions also provide an additional incentive to attract and retain critical talent.

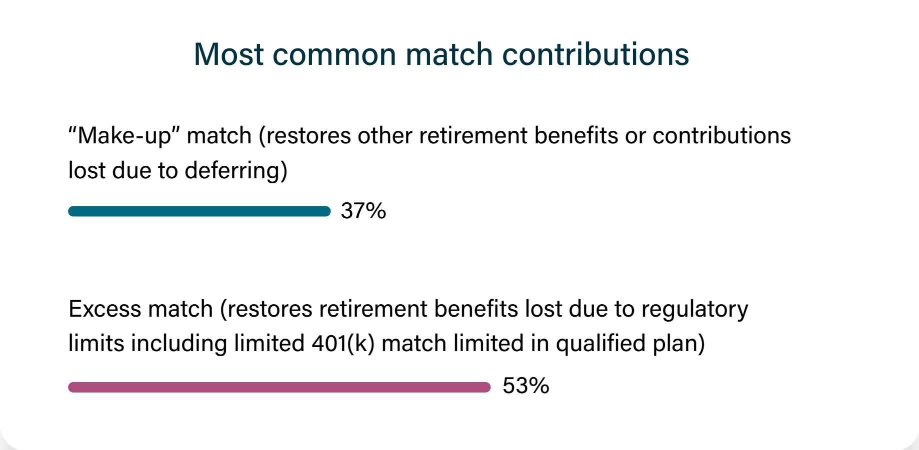
Plan sponsors were bullish on discretionary or matching contributions, with 42% finding them extremely or very effective.

Many plan sponsors used NQDC plan matching contributions to compensate for some type of lost retirement benefit.

The IRS imposes limits on the amount of compensation that individuals can save using pre-tax dollars in qualified defined contribution (DC) plans such as 401(k)s, 403(b)s, governmental 457 plans, and the federal government's Thrift Savings Plan. In 2026, those limits were $24,500 for all participants.

Employees closer to retirement could save a bit more through catch-up contributions. Those aged 50-60 could contribute an additional $8,000, while those aged 60-63 could contribute an additional $11,250 in 2026.

Even with catch-up contributions, the amount that highly compensated employees are able to save in qualified plans is often not adequate for their future financial needs and goals.



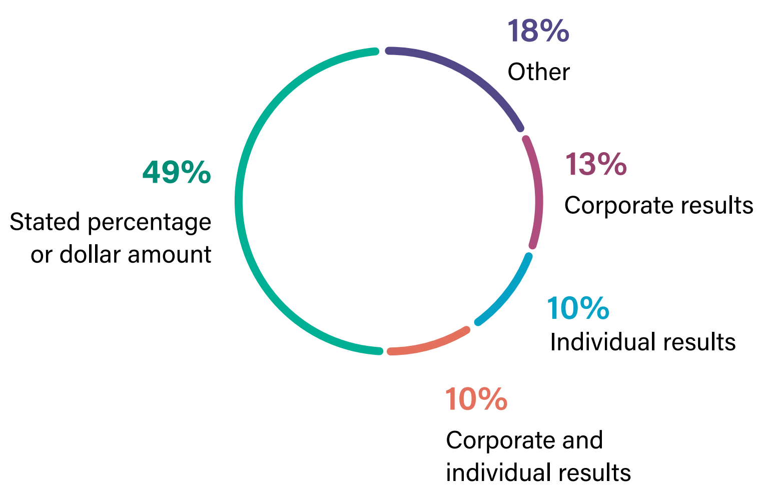
This limitation is why 53% used "excess match" contributions to offset the qualified plan caps.

In addition, as noted in the *Newport 2025/2026 Compensation, Retirement, and Benefits Trends Report*, 88% of DC plan sponsors offered their participants a percentage match on contributions.

Highly compensated employees hindered by qualified plan contribution caps miss out on their employer's match for the amounts they cannot contribute. Almost 40% of plan sponsors used matching NQDC plan contributions to help replace the qualified plan match loss.

Almost 40% of plan sponsors used matching NQDC plan contributions to help replace the qualified plan match loss.

What determines the organization's match



The most common approach to NQDC plan matching contributions, taken by 49%, was a set percentage or dollar amount. An additional 33% of sponsors used corporate or individual results, or a combination of the two.

Matching contributions can be an effective incentive to participate in a retirement plan. About 10% of sponsors were considering making changes to their NQDC plan company match features in 2026 or 2027.

KEY FINDINGS

Value of plan financing

KEY FINDINGS

Value of plan financing

Plan sponsors pay NQDC plan benefits to participants from their organization's assets. With that in mind, plan sponsors use trusts (e.g., rabbi trust) and various financing tools (e.g., COLI, mutual funds) to set aside assets that can be accessed for future benefit payments. In addition, plan sponsors benefit from reduced earnings volatility when plan liabilities are efficiently hedged with company assets.

While setting aside assets can provide plan participants with a slight additional level of confidence that they will receive their benefit payouts in the future, it does not protect participants from their firm's insolvency risk.

Top reasons for plan financing use continued to rise

The ranking of top reasons to informally finance NQDC plans continued the pattern of 2024. Maintaining funds for participant benefit payments was ranked first, with 52% saying it was most important, a rise from 2024, when 39% of sponsors ranked it as the top priority. Improving benefit security, at 32%, came in second in importance, although down slightly from 38% in 2024. Mitigating earnings impact held in third place, at 15%, also down from 2024's 23%.

The COVID-19 pandemic's aftermath reshaped plan sponsors' thinking about their most important reason to finance their NQDC plans. In 2022, improving benefit security ranked first, disrupting a long-term pattern where mitigating earnings impact took the top ranking. Meanwhile, source of funds for future plan distributions (top ranked in 2026) took the third spot in 2022.

Top reasons why plan sponsors informally finance their NQDC plans

(Priority rank 1-3)

Reason	1	2	3
Mitigate earnings impact	15%	15%	69%
Improve participant benefit security	32%	46%	22%
Maintain funds for payments to participants	52%	38%	9%

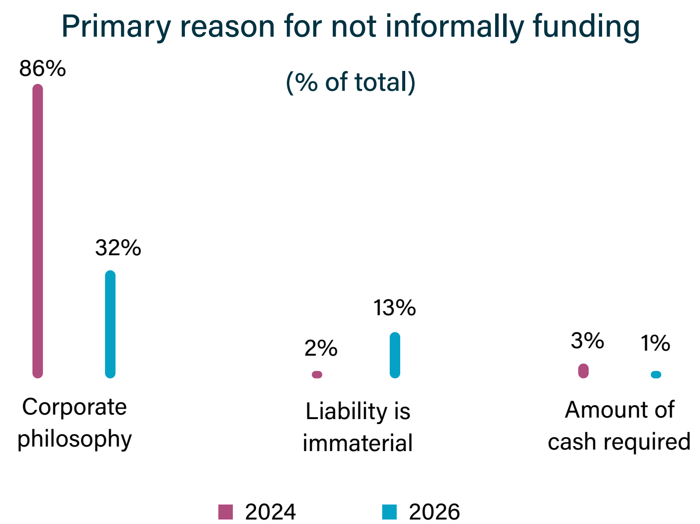
This change in ranking reflects plan sponsors' focus on employees' financial anxiety and longer-term financial well-being.

An added benefit of setting aside assets is that doing so helps combat eligible employees' potential loss aversion, a common behavioral trait, which can hinder eligible employee confidence in receiving distributions years later.

Maintaining funds to pay future benefits to participants was the top reason plan sponsors informally financed their NQDC plans.

As in 2024, most sponsors who did finance their plans, at 83%, used a grantor trust known as a rabbi trust. Rabbi trusts, while not protecting against creditor risk, provide plan participants with benefit protection against a change of heart or change in control where management did not honor its deferred compensation obligation.

Corporate philosophy was the top reason sponsors chose for not financing their plans. While that category is broad, the main reason within it is that the company believes it can deploy its capital to better use, commonly called "alternative use of funds."



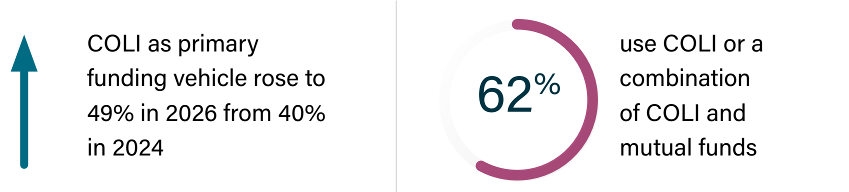
COLI offers plan sponsors the efficient hedging of the liability (similar to mutual funds) coupled with tax efficiency.

Corporate-owned life insurance (COLI) and mutual funds are most common plan financing vehicles

COLI offers plan sponsors the efficient hedging of the liability (similar to mutual funds) coupled with tax efficiency.

More than 60% of plan sponsors financing their NQDC plans used either COLI or a combination of COLI and mutual funds to finance liabilities and future benefit payments.

In addition, for those that set aside assets, COLI use as the primary source of funding rose to 49% in 2026 from 40% in 2024.



WHAT CLIENTS EXPERIENCE: NEWPORT'S VIEW

Advisors drive the COLI conversation

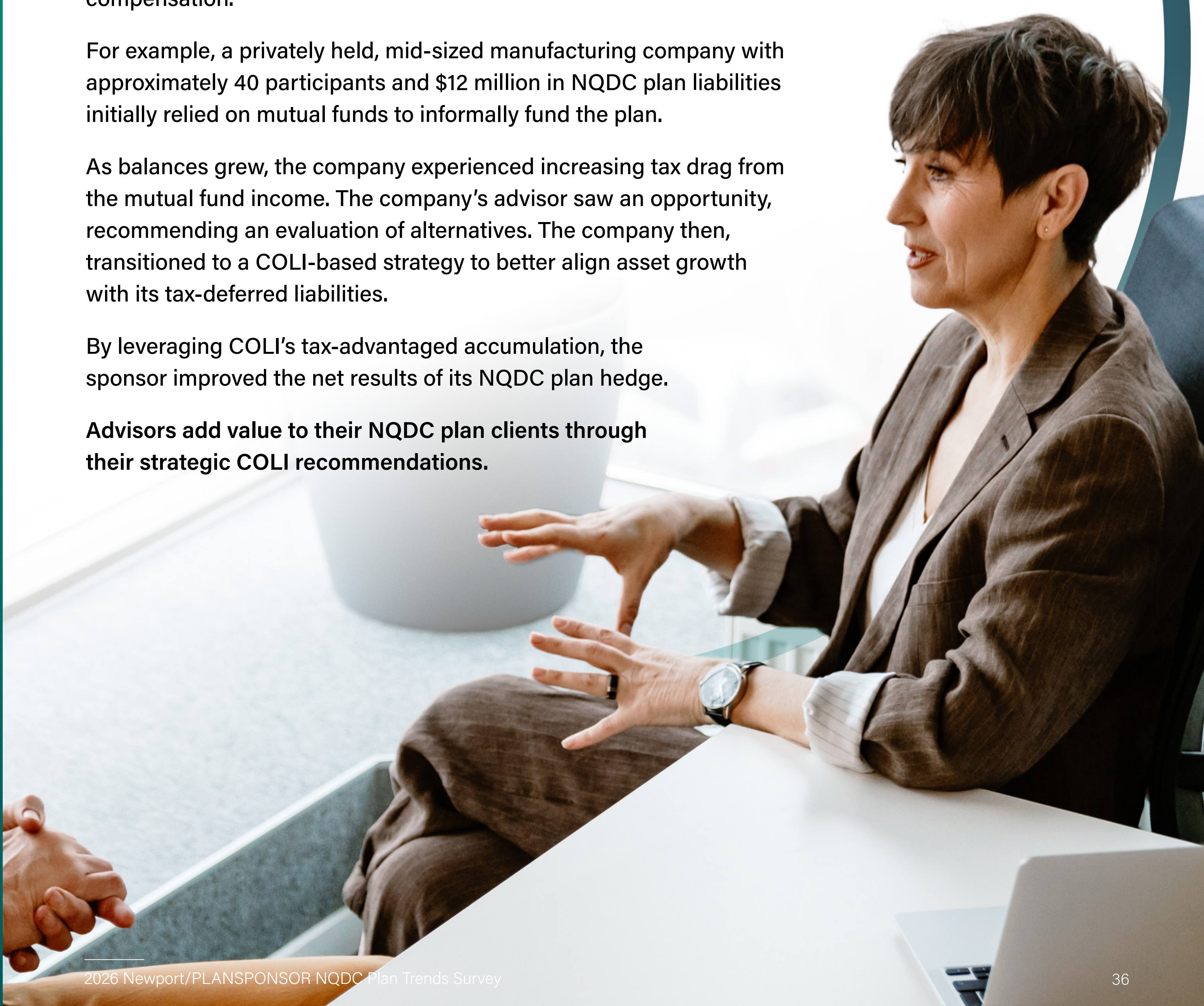
Often, advisors working with plan sponsors advocate for COLI use. They recognize the many benefits, including diversification, tax advantages, and increased participant confidence in their ability to receive deferred compensation.

For example, a privately held, mid-sized manufacturing company with approximately 40 participants and $12 million in NQDC plan liabilities initially relied on mutual funds to informally fund the plan.

As balances grew, the company experienced increasing tax drag from the mutual fund income. The company's advisor saw an opportunity, recommending an evaluation of alternatives. The company then, transitioned to a COLI-based strategy to better align asset growth with its tax-deferred liabilities.

By leveraging COLI's tax-advantaged accumulation, the sponsor improved the net results of its NQDC plan hedge.

Advisors add value to their NQDC plan clients through their strategic COLI recommendations.



Turning numbers into next steps

Actions to consider for plan sponsors

Put the survey data and insights to use optimizing NQDC plans with these practical steps.

Financial wellness

- Embed NQDC plan use into a broader financial-wellness strategy during annual benefits review
- Offer financial planning and credit counseling, tied to deferral and distribution decisions
- Provide year-round access to wealth planning—not just at enrollment—to improve outcomes and retention

Technology

- Evaluate providers' reporting tools to improve plan oversight and decision-making
- Adopt scenario-modeling tools (deferral, distribution, cash flow) to help participants visualize outcomes
- Explore providers' reporting capabilities to enhance plan understanding and decision-making
- Push providers on innovation (mobile, AI, modeling, digital experience) to address satisfaction gaps

Plan financing

- Regularly review financing effectiveness relative to plan growth and obligations
- Evaluate funding approaches (e.g, COLI, mutual funds) based on long-term liability strategy

Participant and plan sponsor education

- Host live "lunch and learn" sessions to improve engagement and encourage real questions
- Personalize communication by career stage and financial need (early career vs. near retirement)
- Use executive messaging (CEO/CFO endorsements) to reinforce participation and importance

Plan design

- Revisit plan features to better support long-term financial planning and flexibility needs (time, distributions)
- Align plan design with retention and financial-wellness objectives, not just participation
- Improve clarity around key decisions (deferral, distributions, investment coordination)

Actions to consider for advisors

Put the survey data and insights to use optimizing NQDC plans with these practical steps.

Financial wellness

- Integrate your holistic financial-wellness approach with your plan sponsor clients' efforts
- Align financial planning support with key decision points (enrollment, deferrals, distributions to drive engagement)

Technology

- Use insights drawn from automated reports on provider technology platforms to identify participant behavior gaps and proactively advise clients
- Develop knowledge in recordkeeper capabilities to maximize client value from technology platforms
- Guide clients toward providers with strong digital experience and continuous innovation roadmaps

Plan financing

- Help sponsors assess and optimize financing strategies aligned with risk, accounting, and cash flow needs
- Provide guidance on integrating financing strategy with broader balance sheet and tax strategy
- Educate sponsors on trade-offs across financing methods to support informed decision-making
- Work with a provider firm with expertise on NQDC financing strategies
- Expand knowledge of COLI as a way to benefit clients and add value to your practice

Participant and plan sponsor education

- Coordinate education strategy across sponsor, provider, and HR teams for consistency
- Provides clients with targeted education on tax implications (lump sum vs. installments, tax diversification), in partnership with tax professionals, providers, or other partners
- Use participant polling and feedback to refine education strategy and address knowledge gaps

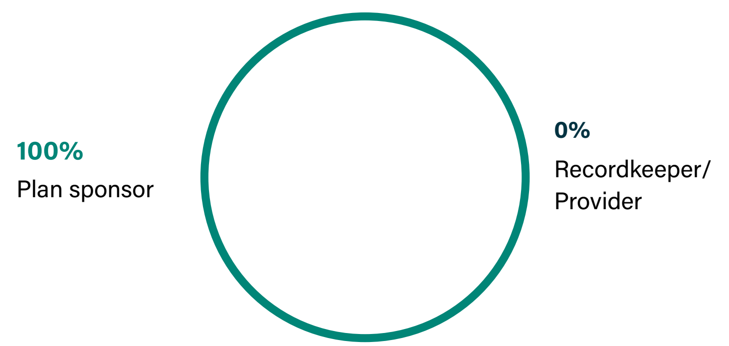
Plan design

- Offer plan-design enhancement suggestions that take advantage of §409A provisions and improve perceived value (tax diversification, flexibility)
- Benchmark plan design against peers to ensure competitiveness in attracting/retaining talent
- Consult with NQDC specialists to optimize and modernize plan designs

Full survey questions and responses

QUESTION 1:

What is your role in the DC industry?

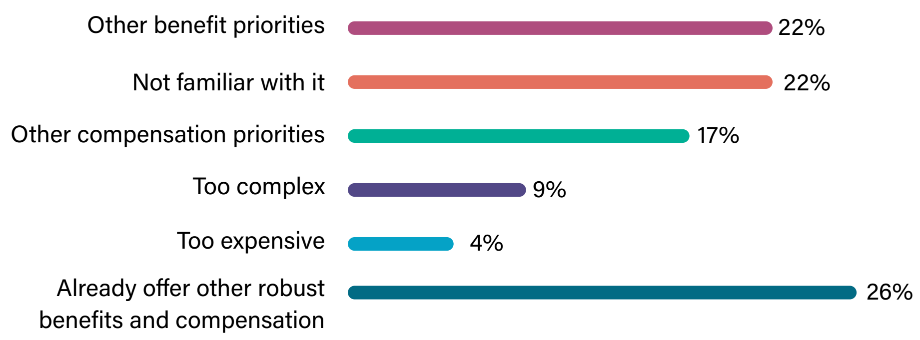


QUESTION 2:

Does your company/organization currently offer an NQDC plan?

QUESTION 3:

If no, why does your company/organization not offer an NQDC plan?



QUESTION 4:

Does your company/organization face any of the following challenges?

Respondents were provided with multiple choices. As a result, totals will not add up to 100%.

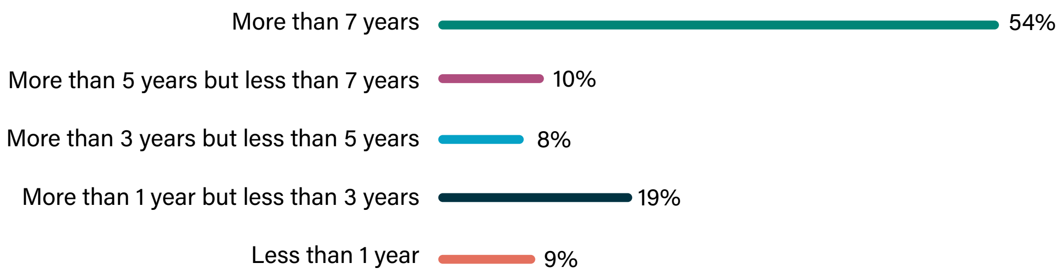
QUESTION 5:

How likely are you to offer an NQDC plan in the next 12-24 months?

(Respondents noted they do not currently offer an NQ plan)

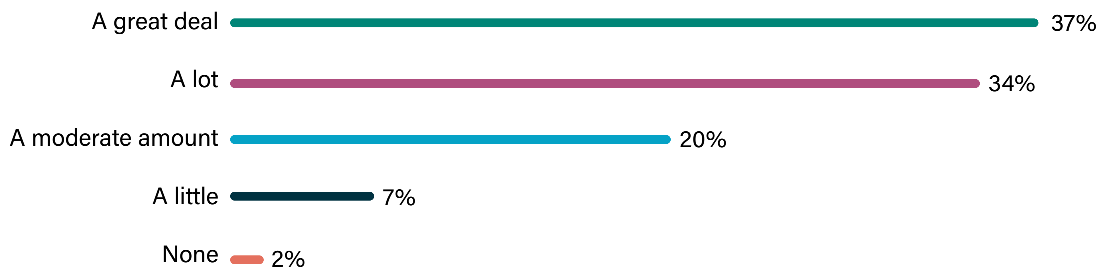
QUESTION 6:

How long has your provider been the recordkeeper for your designated NQDC plan?



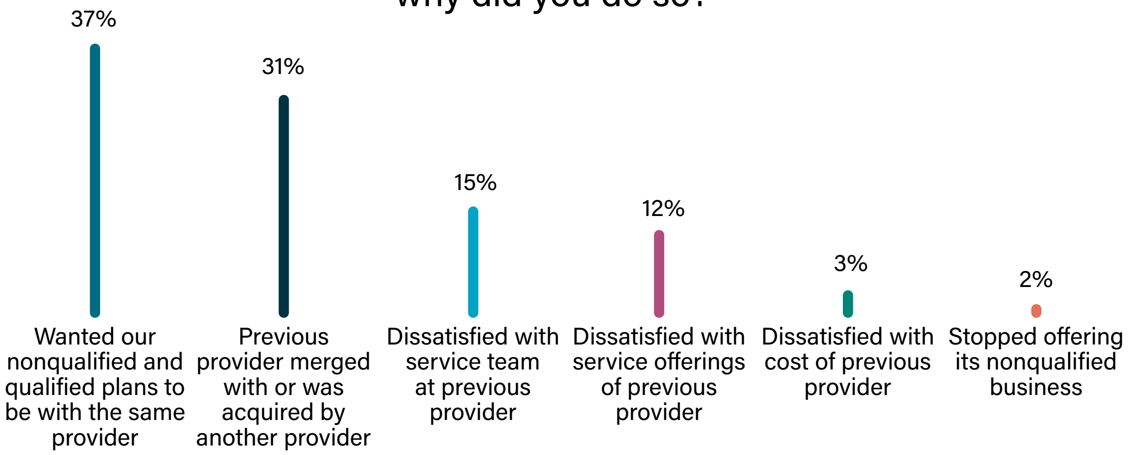
QUESTION 7:

How much value do you place on having an NQDC provider that specializes in NQDC plans?



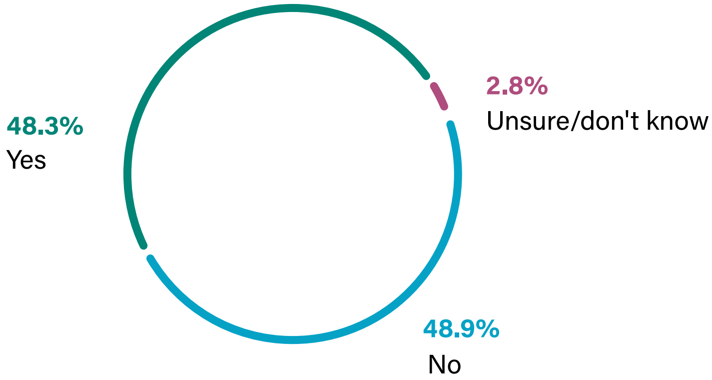
QUESTION 8:

If you recently changed your NQDC plan provider, why did you do so?



QUESTION 9:

Do you use the same recordkeeper for your qualified and nonqualified plans?



QUESTION 10:

Which of the following best describes your organization's primary area(s) of business?

Manufacturing	26%
Financial services	18%
Healthcare & pharma	9%
Retail & consumer	8%
Energy & utilities	7%
Insurance	6%
Technology	5%
Transportation & logistics	5%
Real estate & construction	5%
Nonprofit & education	3%

QUESTION 11:

Is your company/organization for-profit or tax-exempt?

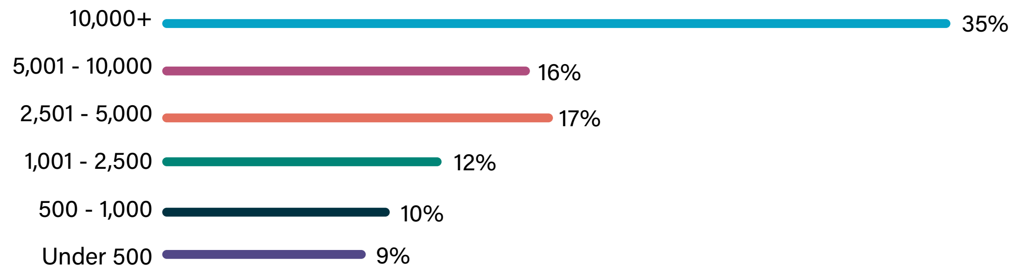
QUESTION 12:

Which form of ownership best describes your company organization?

C corporation	74%
Limited liability company	16%
S corporation	9%
Partnership	1%
Sole proprietorship	1%

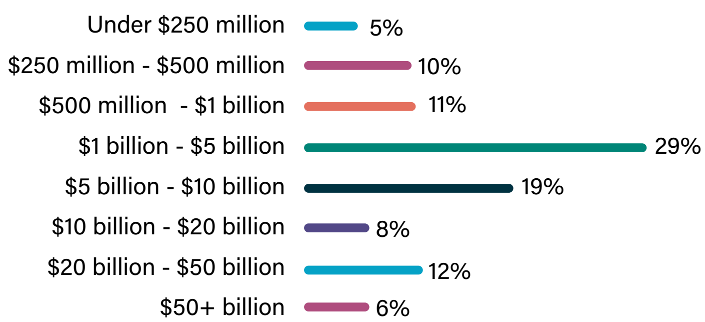
QUESTION 13:

How many full-time employees does your company/organization employ?



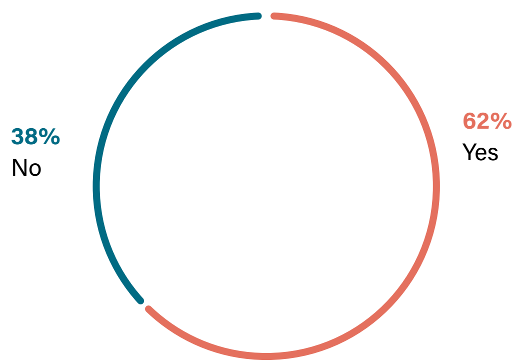
QUESTION 14:

What are your company's/organization's annual sales/revenues?



QUESTION 15:

Is your company/organization publicly traded?



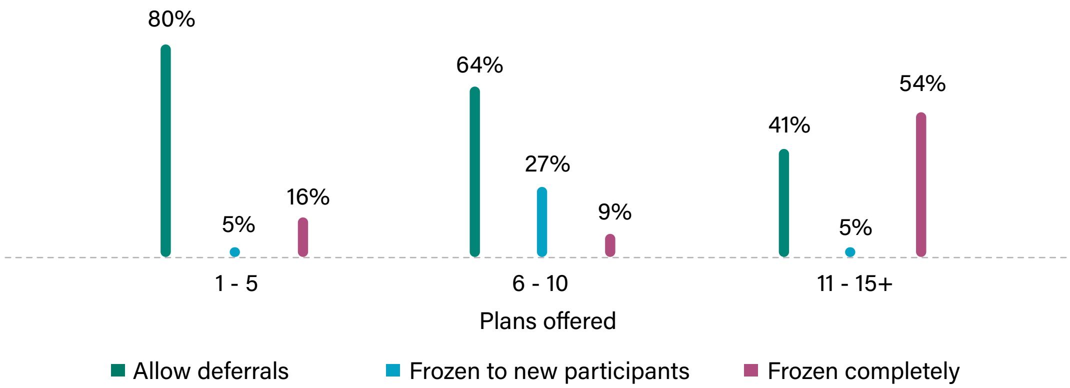
QUESTION 16:

How many NQDC plans do you offer?

QUESTION 17:

Of the offered NQDC plans, how many:

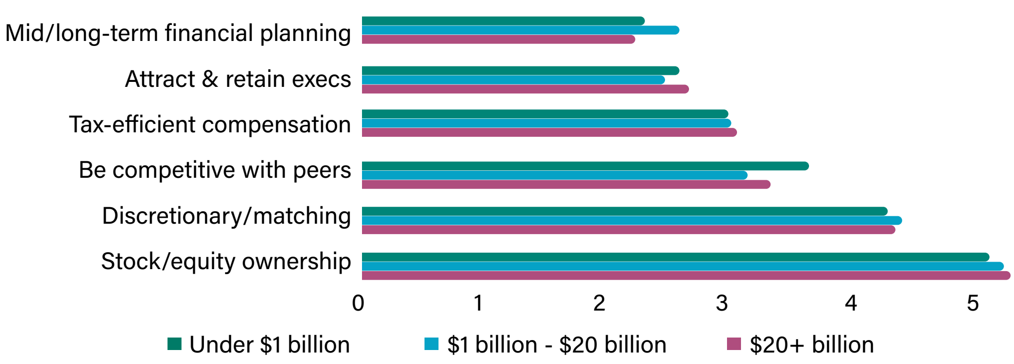
1) Allow deferrals, 2) Are frozen to new participants, 3) Are frozen completely



QUESTION 18:

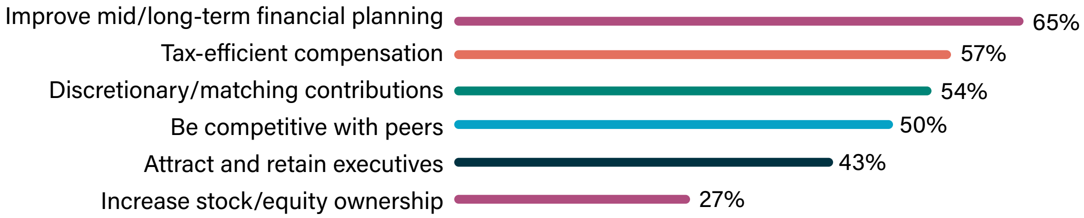
Please rank how important each of the following goals is for your deferred compensation program.

Ranking 1 - 6 (lower score = more important)



QUESTION 19:

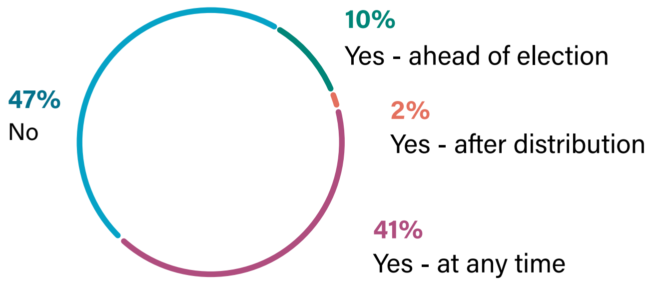
Based on the plan goals listed in the prior question, how effective has your deferred compensation plan been in accomplishing these goals?



Respondents were provided with multiple choices. As a result, totals will not add up to 100%.

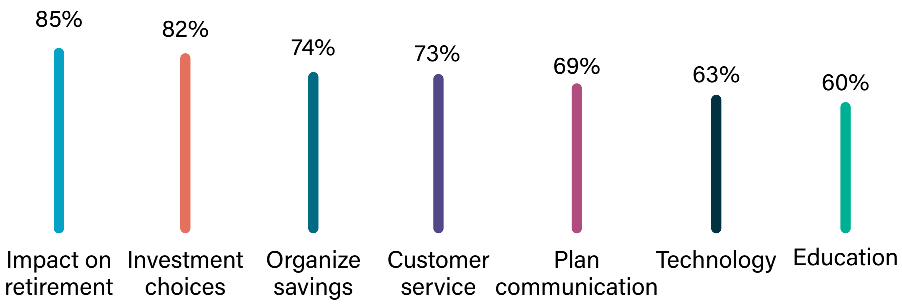
QUESTION 20:

Do you offer financial advisory services to your NQDC participants?



QUESTION 21:

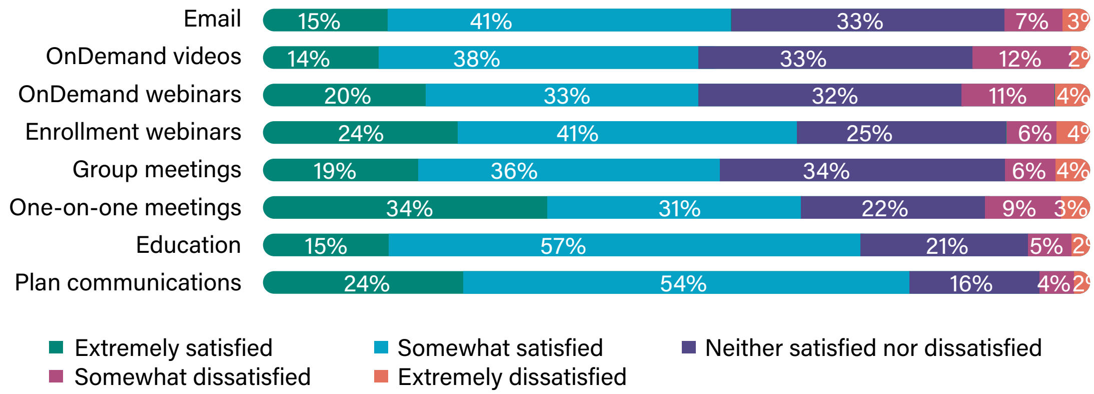
How satisfied do you think participants are with the following aspects of your deferred compensation plan?



Respondents were provided with multiple choices. As a result, totals will not add up to 100%.

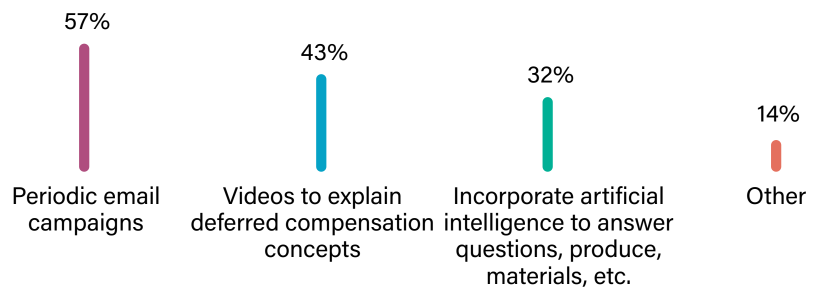
QUESTION 22:

Rate the company's/organization's degree of satisfaction for each of the following forms of plan communication being offered.



QUESTION 23:

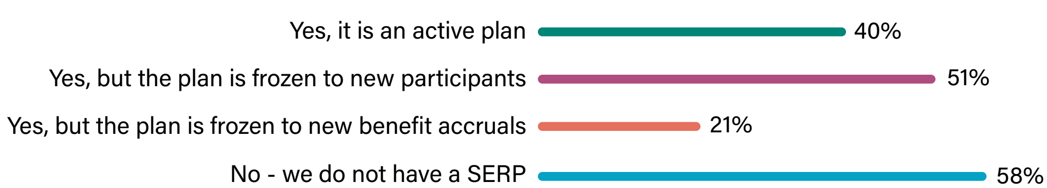
Do you plan to expand you communications to participants with any of these technologies?



Respondents were provided with multiple choices. As a result, totals will not add up to 100%.

QUESTION 24:

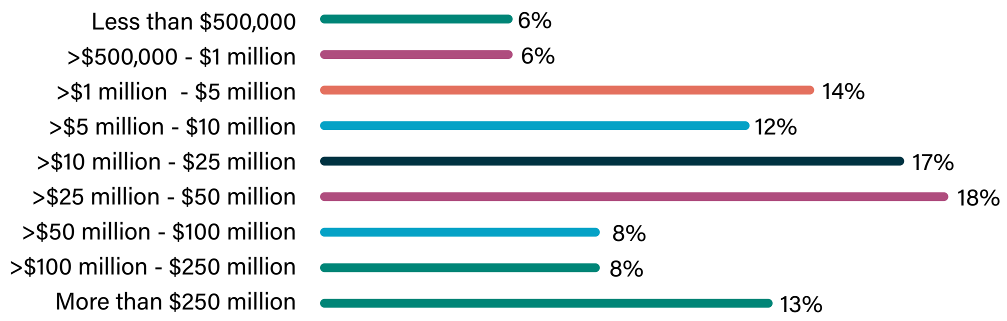
Do you have a defined benefit supplemental executive retirement plan, including any plan(s) that may have frozen benefit levels or be frozen to new participants?



Respondents were provided with multiple choices. As a result, totals will not add up to 100%.

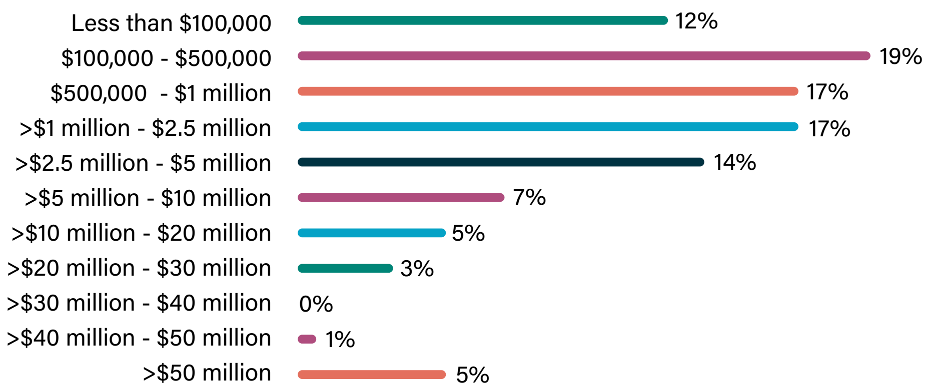
QUESTION 25:

What is the approximate size (total value of participant accounts) of your plan(s)?



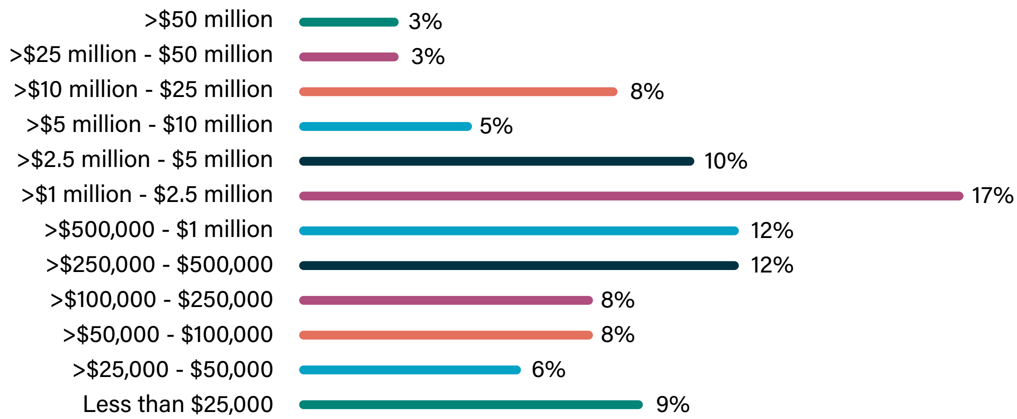
QUESTION 26:

What are the approximate annual deferrals and company/organization contributions?



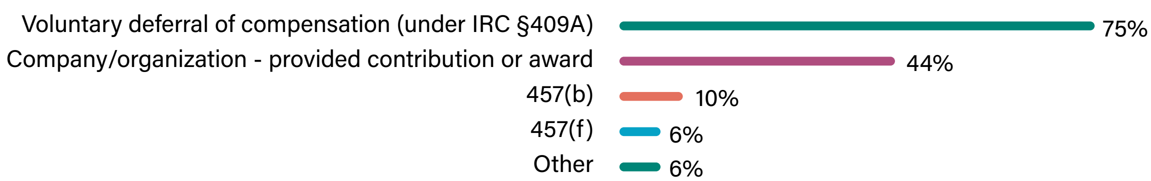
QUESTION 27:

What are the approximate annual distributions from the plan(s)?



QUESTION 28:

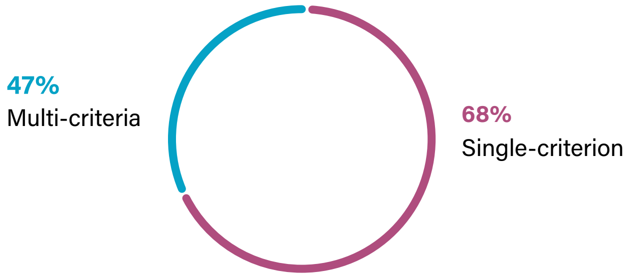
What types of nonqualified deferred compensation plans do you offer (not including any defined benefit SERPs)?



Respondents were provided with multiple choices. As a result, totals will not add up to 100%.

QUESTION 29:

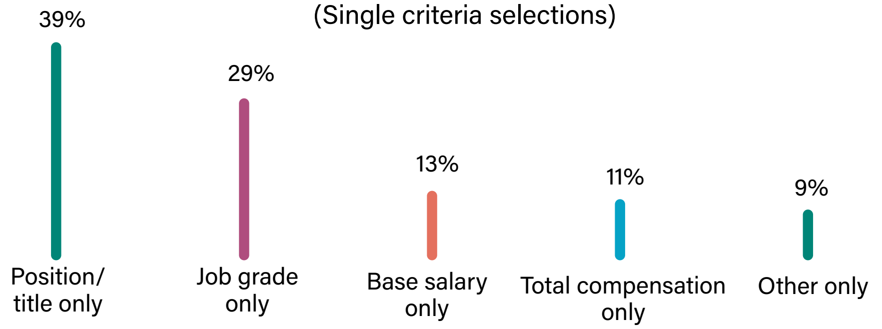
How do you determine who is eligible to participate in your NQDC plan?



Respondents were provided with multiple choices. As a result, totals will not add up to 100%.

QUESTION 30:

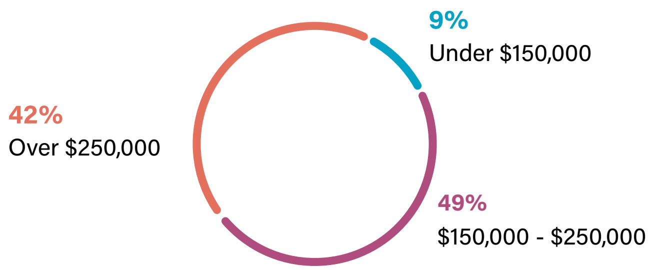
How do you determine who participates in your NQDC plan?



Respondents were provided with multiple choices. As a result, totals will not add up to 100%.

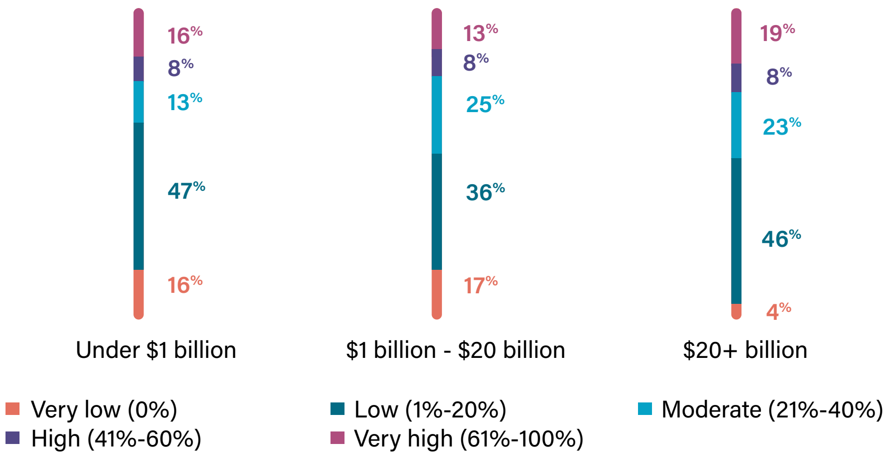
QUESTION 31:

What is the approximate minimum total compensation (salary and bonus) for those eligible for the NQDC plan?



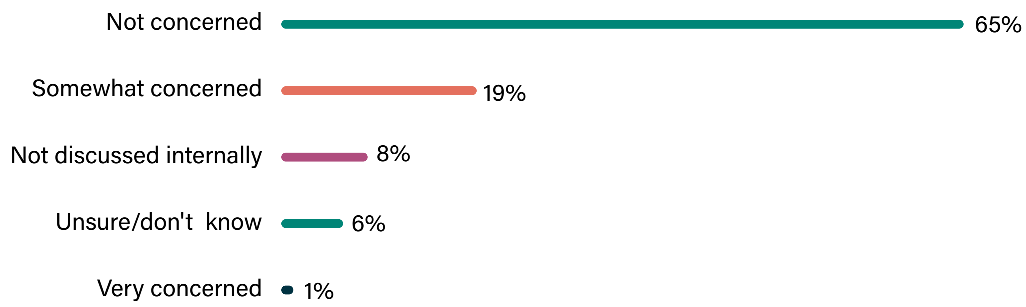
QUESTION 32:

Approximately what percentage of eligible participants are actively deferring their compensation into the NQDC plan?



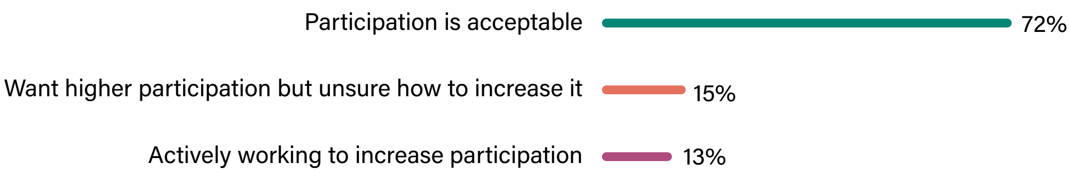
QUESTION 33:

Does your company/organization have any concern about participation levels among eligible NQDC participants?



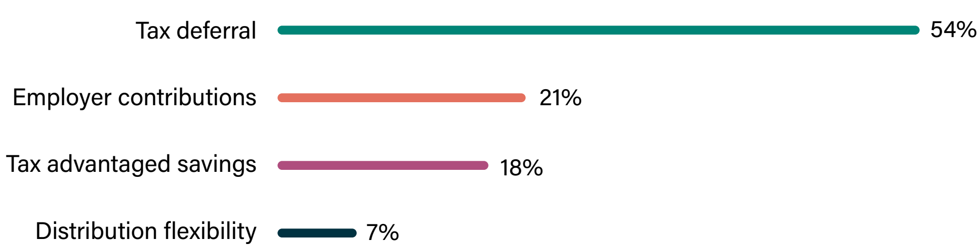
QUESTION 34:

Which best describes your company’s/organization's current approach to NQDC participation?



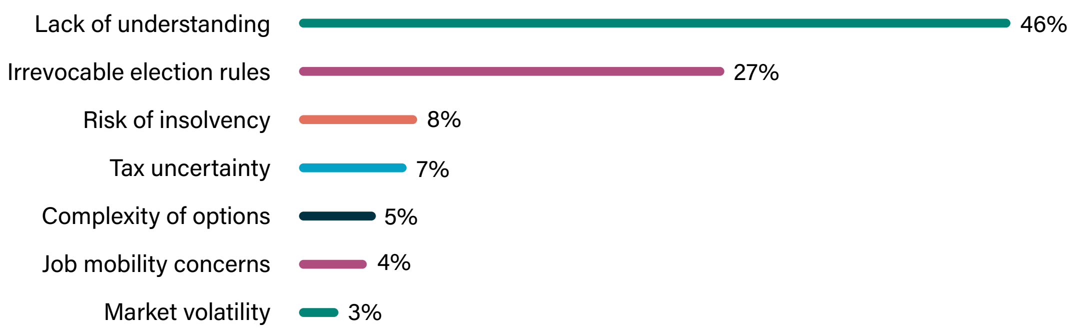
QUESTION 35:

Which aspect of your NQDC plan do you believe participants value most?



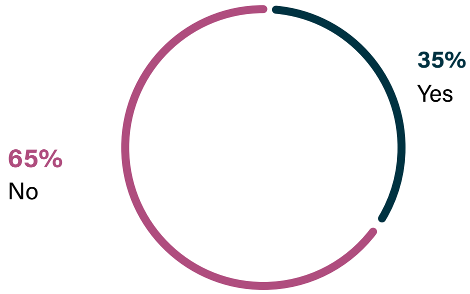
QUESTION 36:

What do you believe is the biggest barrier preventing higher NQDC participation?



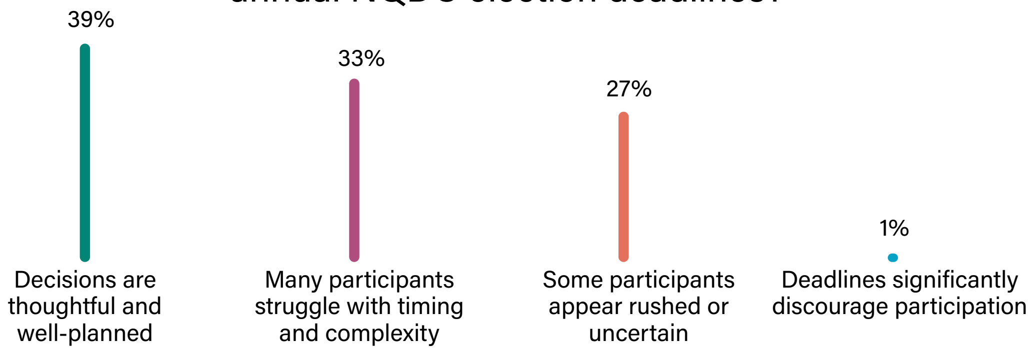
QUESTION 37:

Do you believe eligible participants fully understand the long-term implications of ther NQDC elections?



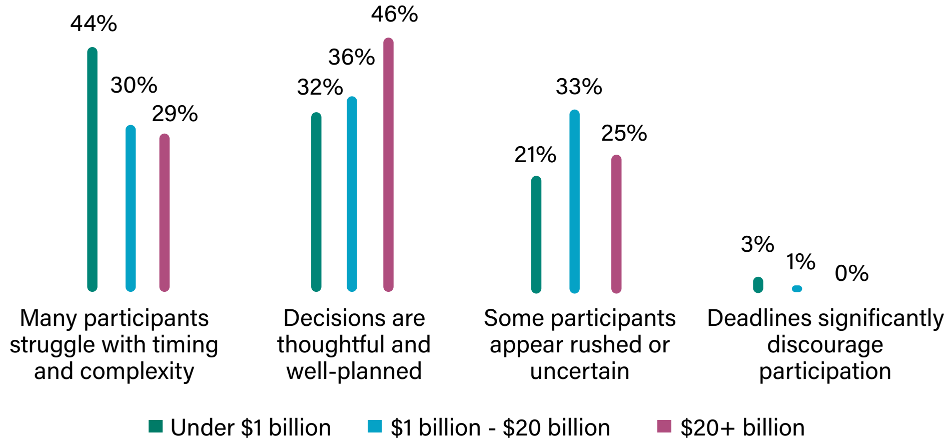
QUESTION 38:

How would you characterize participant behavior related to annual NQDC election deadlines?



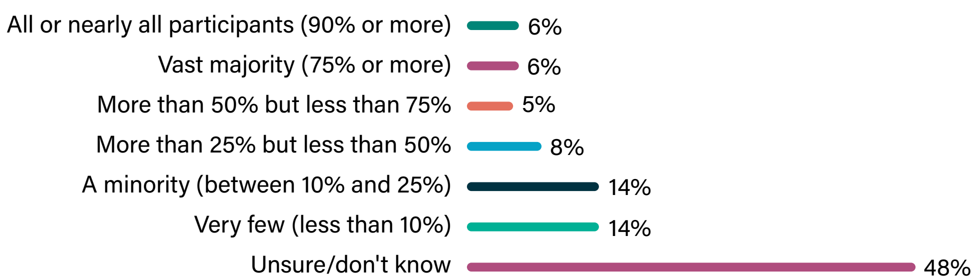
QUESTION 39:

Does the company/organization revenue change how they characterize participant behavior?



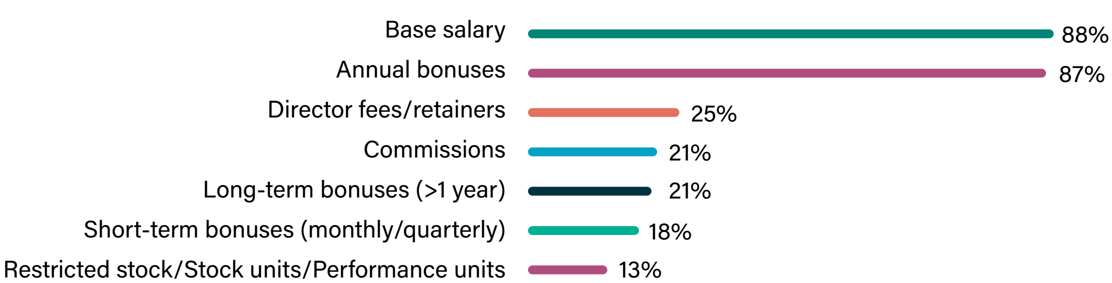
QUESTION 40:

What share of your NQDC participants access professional guidance through your plan before making deferral or distribution decisions?



QUESTION 41:

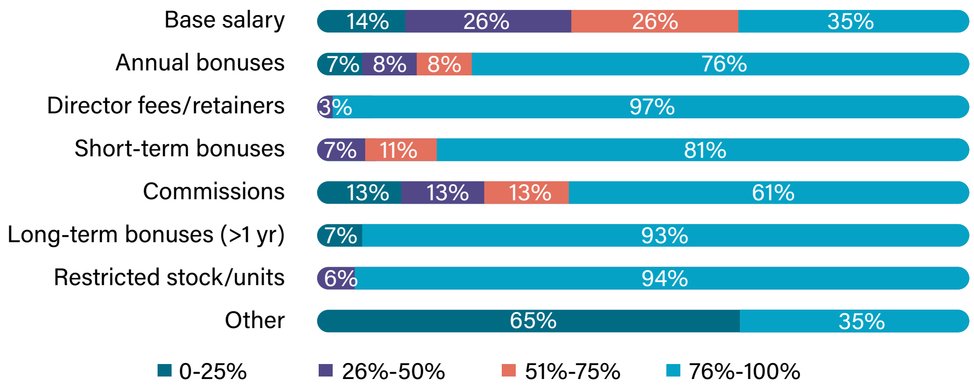
What types of compensation may participants elect to defer?



Respondents were provided with multiple choices. As a result, totals will not add up to 100%.

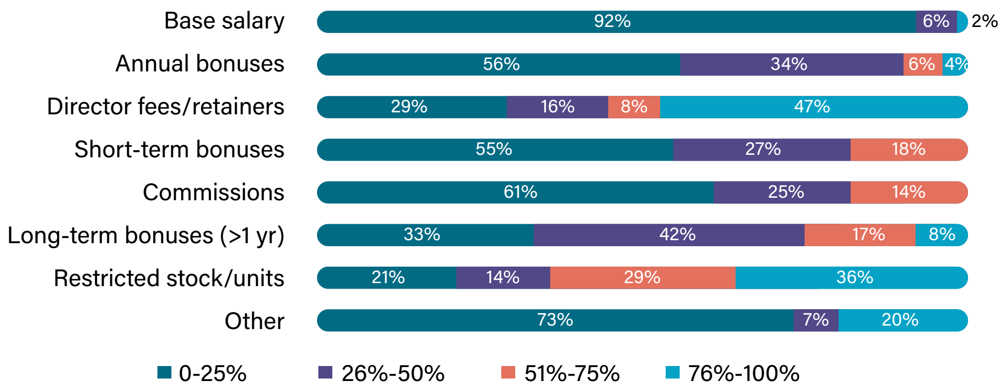
QUESTION 42:

What is the maximum deferral percentage allowed by NQDC participants for each form of compensation listed below?



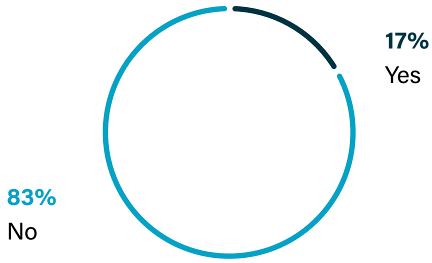
QUESTION 43:

What is the average percentage deferred for each form of compensation that participants can elect to defer?



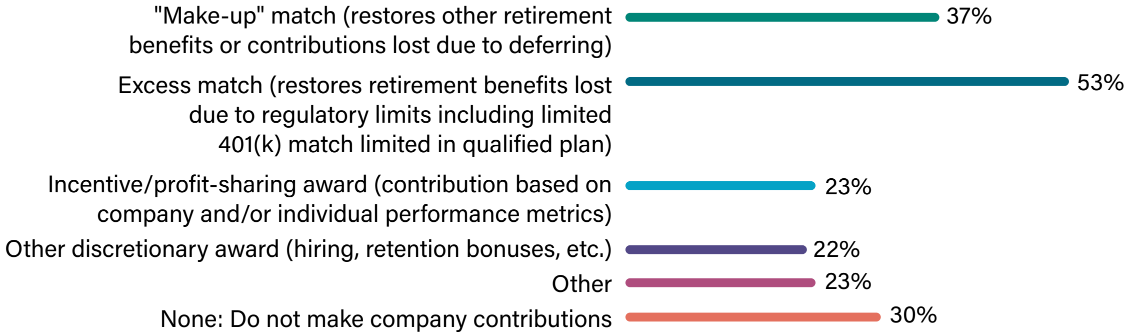
QUESTION 44:

Has your qualified plan discrimination testing resulted in any refunds to highly compensated employees at any time over the past three years?



QUESTION 45:

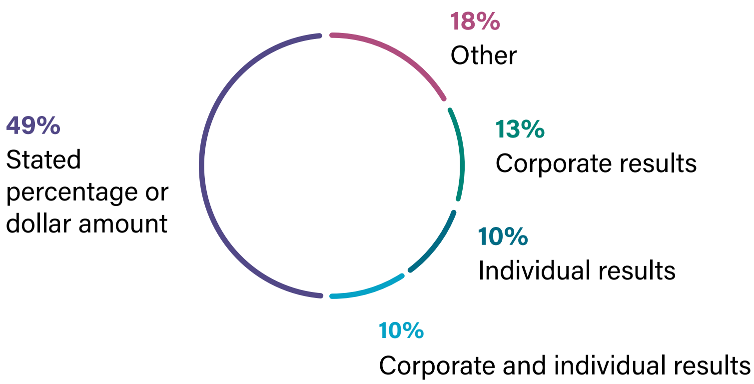
What types of contributions does your company/organization provide?



Respondents were provided with multiple choices. As a result, totals will not add up to 100%.

QUESTION 46:

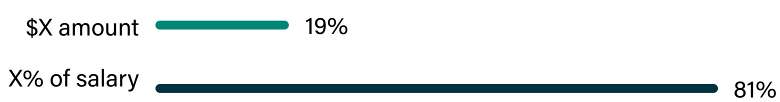
How is the company/organization match determined?



QUESTION 47:

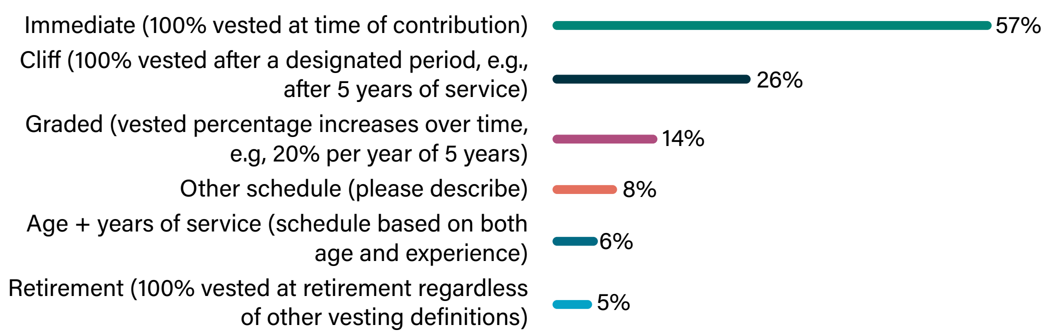
What is the best estimate of the average company/organization contribution?

(Only one answer allowed, either % or $ amount)



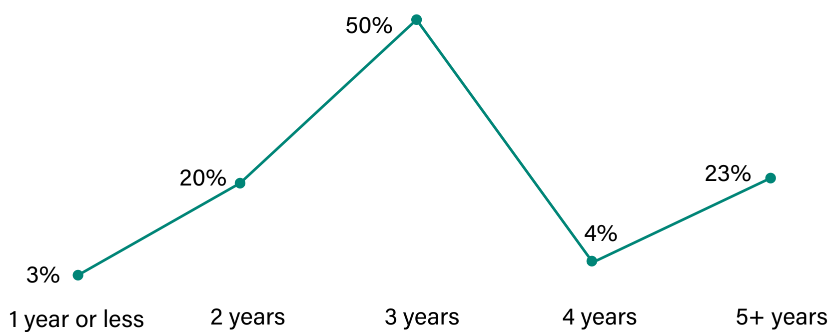
QUESTION 48:

Which vesting schedules apply to company/organization contributions to your NQDC plan(s)?



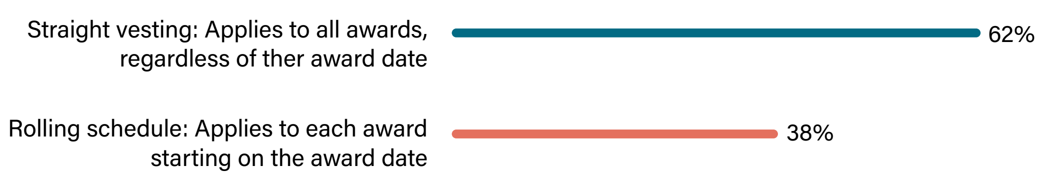
QUESTION 49:

For your cliff vesting schedule, how many years must participants wait before company/organization contributions are 100% vested?



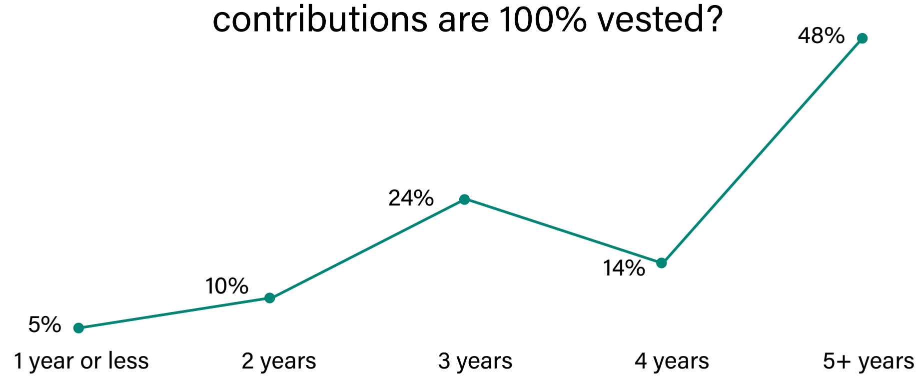
QUESTION 50:

What types of graded vesting schedules do you offer?



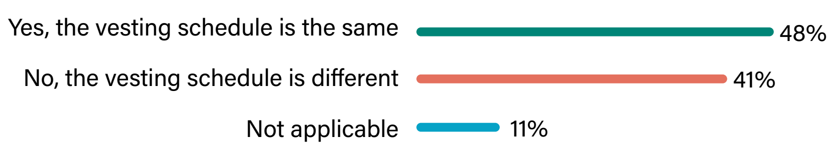
QUESTION 51:

For your graded vesting schedule, how many years must participants wait before company/organization contributions are 100% vested?



QUESTION 52:

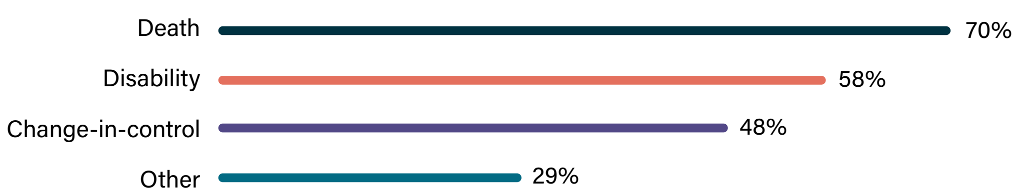
Is the vesting schedule the same as for your qualified plan?



QUESTION 53:

In what instances does the plan provide for accelerated vesting of company/organization contributions?

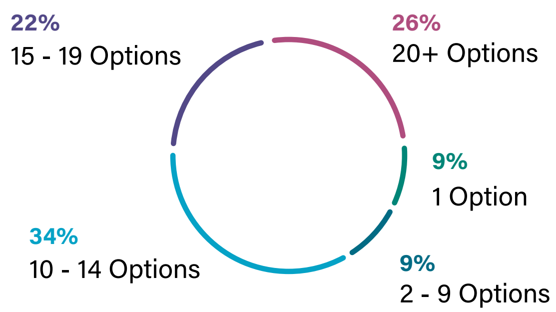
(Check all that apply)



Respondents were provided with multiple choices. As a result, totals will not add up to 100%.

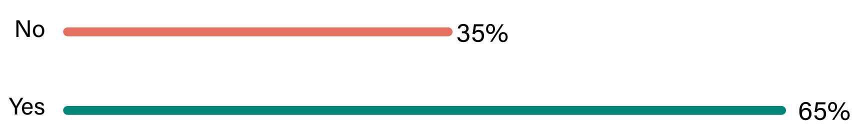
QUESTION 54:

How many investment options are included in the NQDC plan?



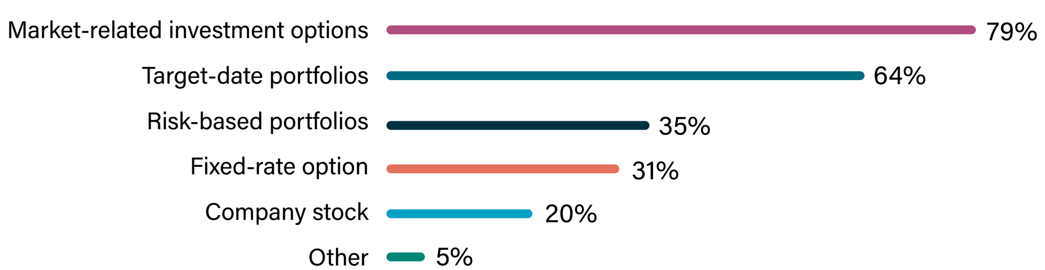
QUESTION 55:

Are your NQDC plan investment options the same (or similar) as those offered in the qualified plan?



QUESTION 56:

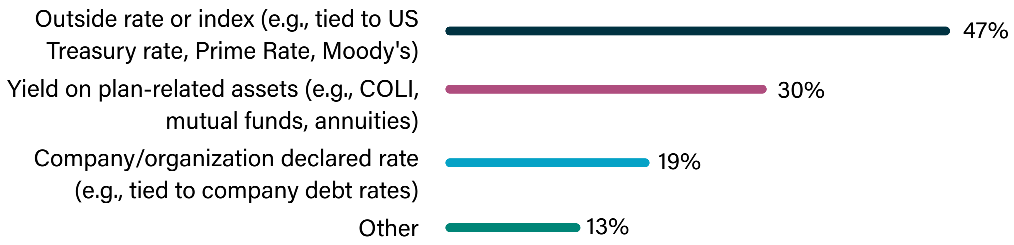
Please specify the types of investment options the plan offers.



Respondents were provided with multiple choices. As a result, totals will not add up to 100%.

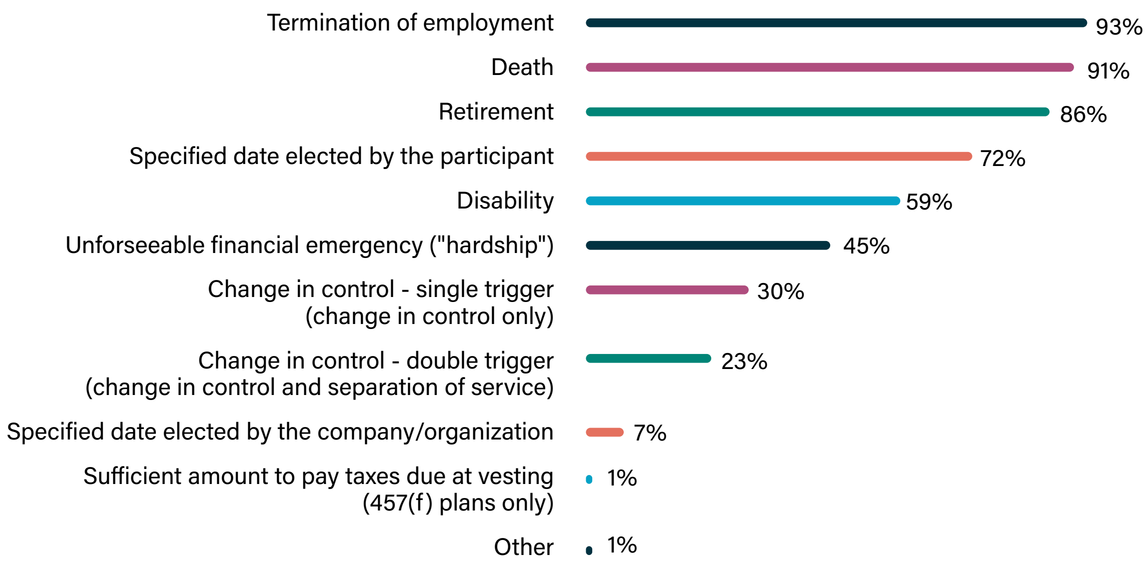
QUESTION 57:

Please indicate how the fixed rate option offered in your NQDC plan is determined.



QUESTION 58:

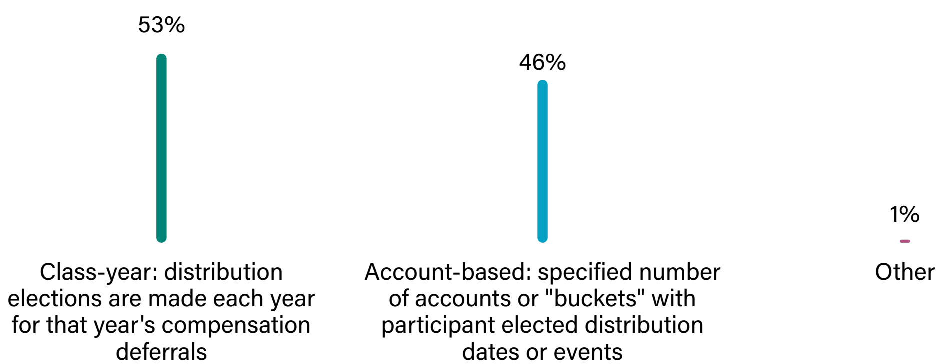
Under what circumstances may participants receive distributions from the NQDC plan?



Respondents were provided with multiple choices. As a result, totals will not add up to 100%.

QUESTION 59:

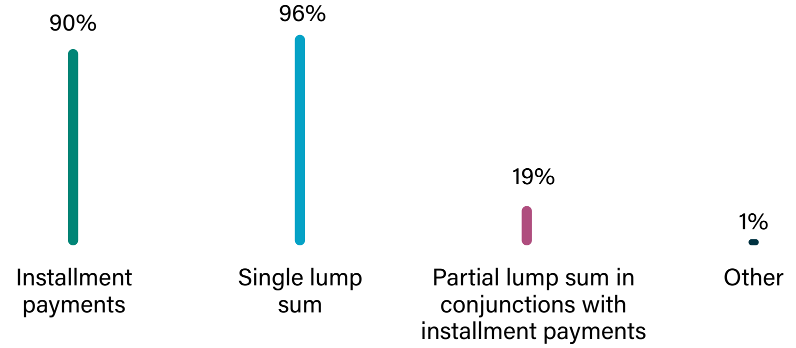
Does the NQDC plan use a "class-year" structure or an "account-based" structure?



QUESTION 60:

How many participants take distributions from the NQDC plan?

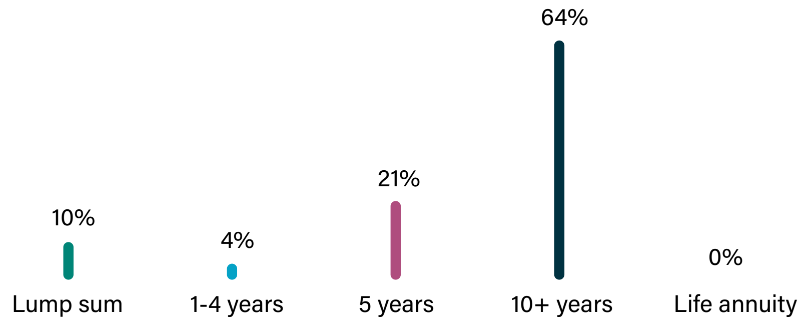
(Check all that apply.)



Respondents were provided with multiple choices. As a result, totals will not add up to 100%.

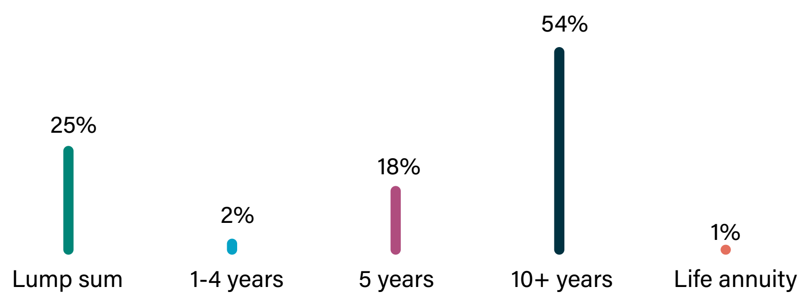
QUESTION 61:

What is the maximum period over which participants may take their specified date payments from the NQDC plan?



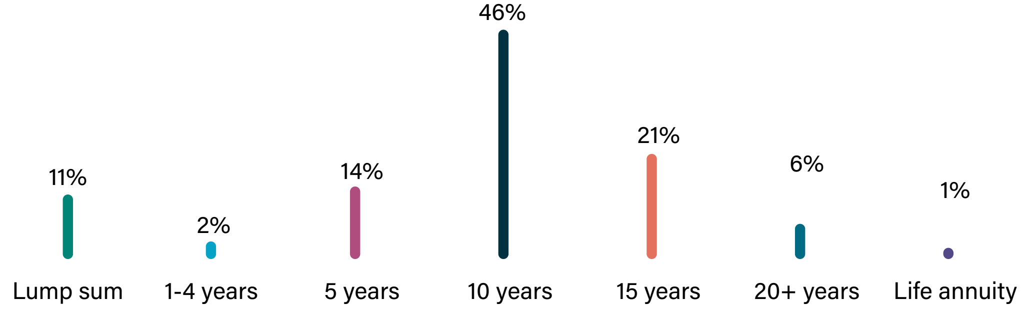
QUESTION 62:

What is the maximum period over which participants may take their termination payments (other than retirement, death or disability) from the NQDC plan?



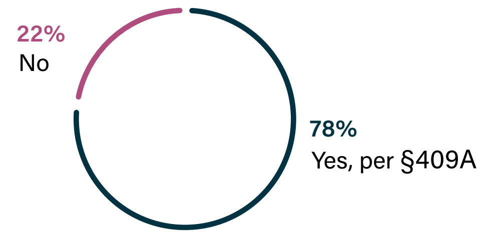
QUESTION 63:

What is the maximum period over which participants may take their retirement payments from the NQDC plan?



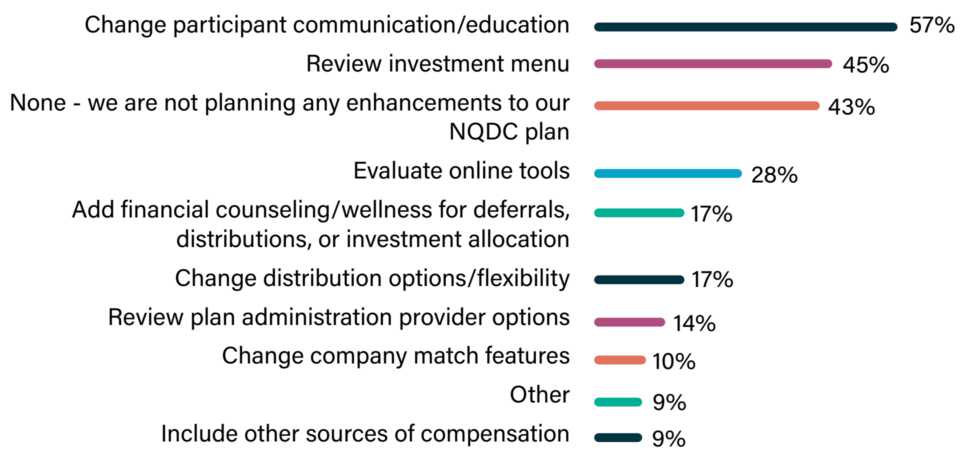
QUESTION 64:

Are participants allowed to change their existing schedules?



QUESTION 65:

Are you considering any of the following for your NQDC plan in the next 12-18 months?



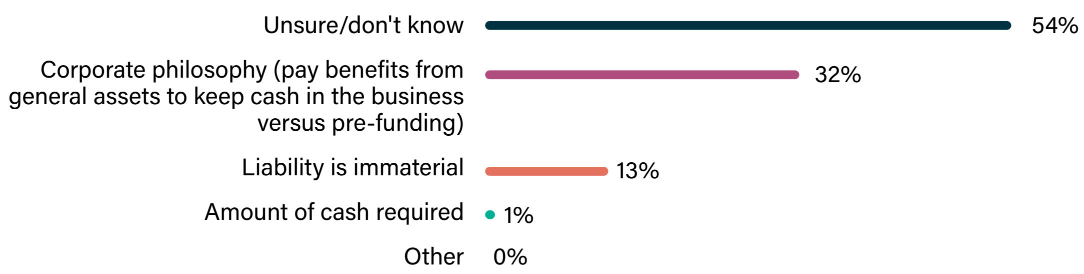
Respondents were provided with multiple choices. As a result, totals will not add up to 100%.

QUESTION 66:

Does your company/organization currently set aside participant deferrals or any assets in a trust (or otherwise) to finance its nonqualified plan liabilities?

QUESTION 67:

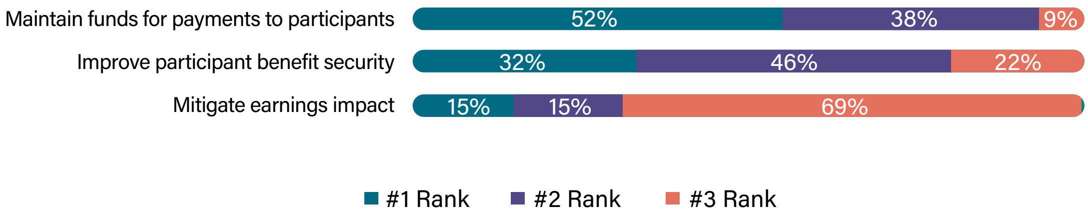
What is the primary reason you do not informally fund your liabilities?



QUESTION 68:

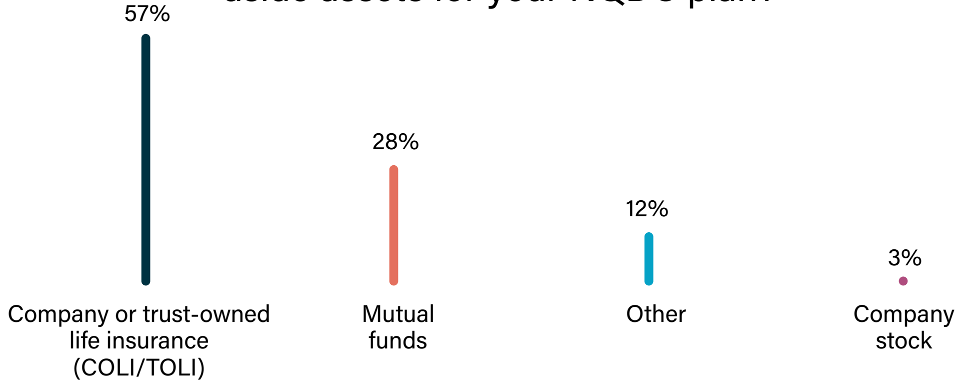
Please rank in order of importance the following reasons why your company/organization sets aside assets to finance its NQDC plan?

Weighted Score Ranking (lower = more important)



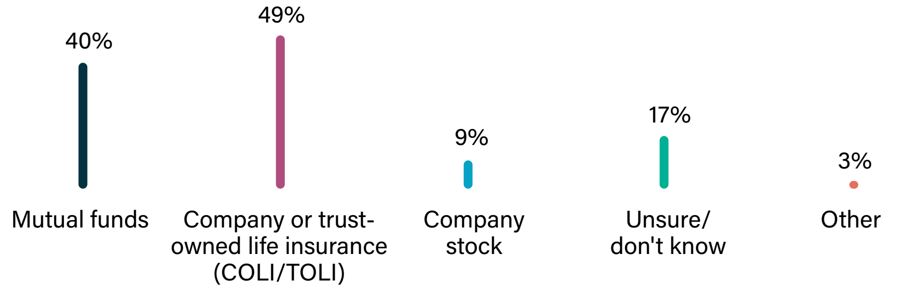
QUESTION 69:

In which vehicle does your company/organization set aside assets for your NQDC plan?



QUESTION 70:

What are all of the asset types your company/organization has set aside?



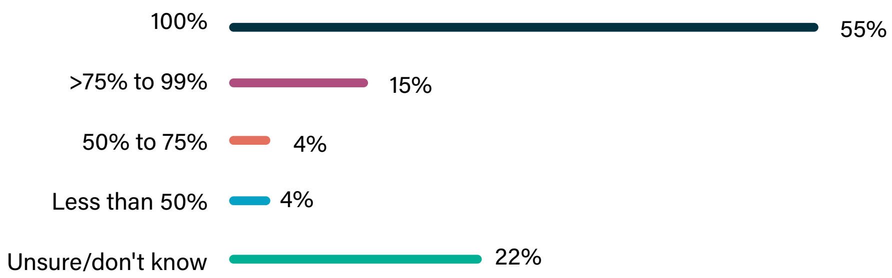
Respondents were provided with multiple choices. As a result, totals will not add up to 100%.

QUESTION 71:

Does your company/organization use a grantor trust (also known as a rabbi trust) to hold assets?

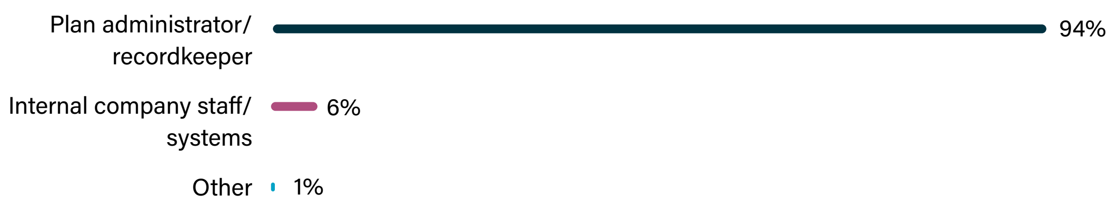
QUESTION 72:

Approximately what percentage of the NQDC plan liability is informally funded with company/organization or trust assets?



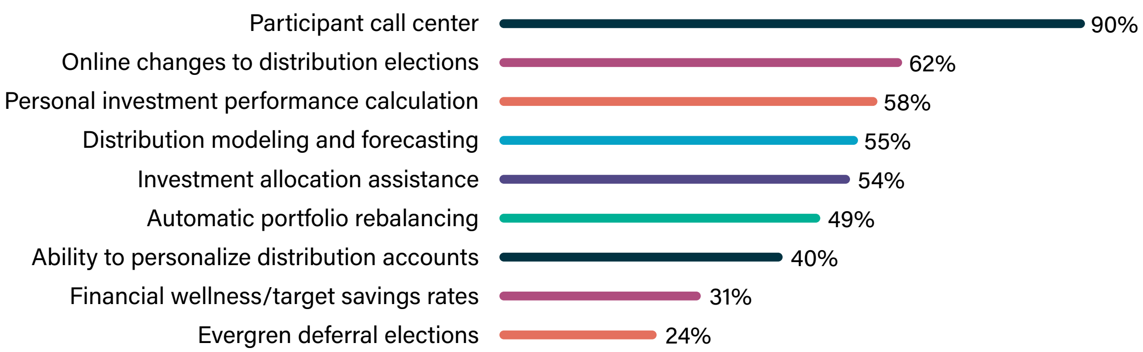
QUESTION 73:

How is the plan recordkeeping currently managed?



QUESTION 74:

What tools/features does your NQDC plan administration system provide?



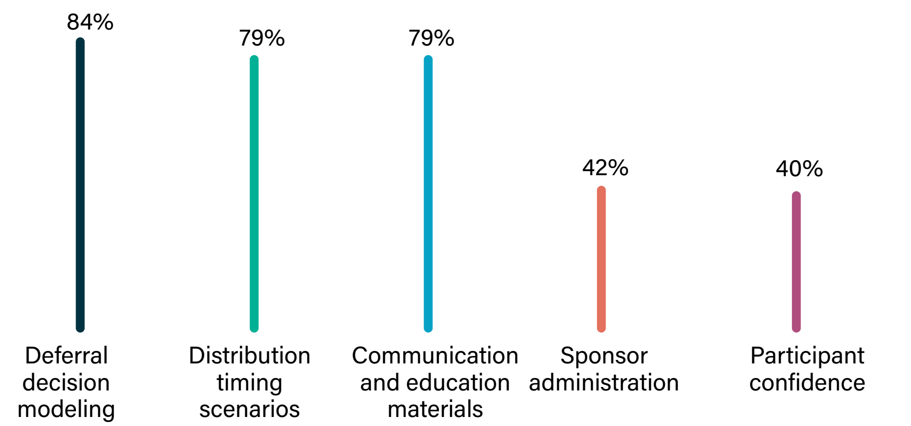
Respondents were provided with multiple choices. As a result, totals will not add up to 100%.

QUESTION 75:

Do you believe artificial intelligence can improve NQDC plan effectiveness?

QUESTION 76:

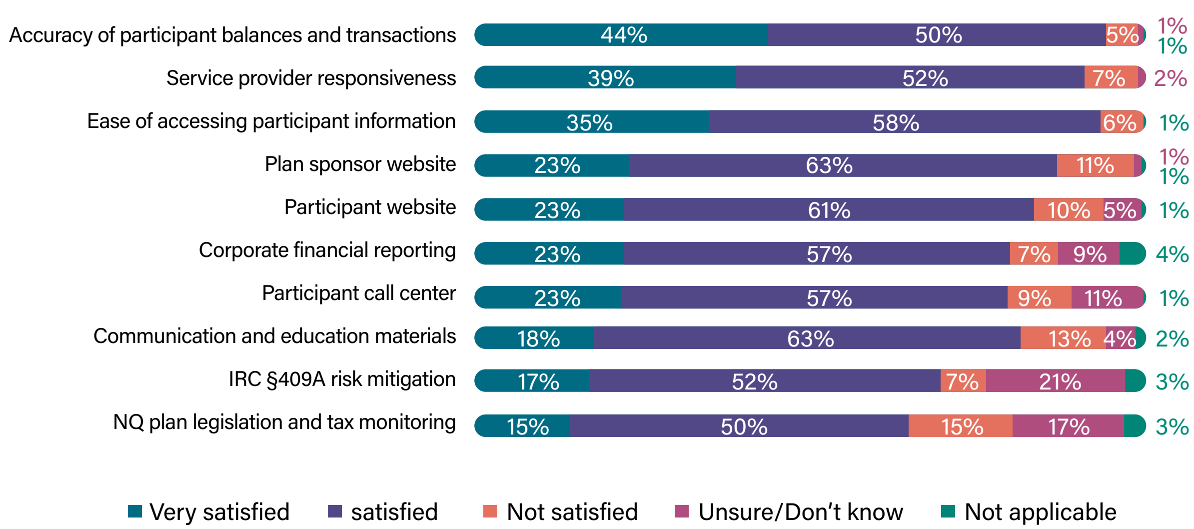
Where could AI most improve NQDC plan effectiveness?



Respondents were provided with multiple choices. As a result, totals will not add up to 100%.

QUESTION 77:

Please rate the following plan sponsor and participant experience components.



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Newport, an Ascensus company, is a leading provider of nonqualified plan services. Newport brings together the experience, responsiveness, and expertise needed to service every aspect of a company's nonqualified deferred compensation (NQDC) plan.

Plan sponsors benefit from Newport's sophisticated consulting services, proprietary, purpose-built NQDC platform, objective and disciplined approaches to funding strategies, customized communication and education tools needed for plan participants, and comprehensive plan administration.

A market leader for over 40 years, Newport serves over 25% of the Fortune 500 with its dedicated team of professionals.

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