Nonqualified Deferred Compensation (NQDC) Plan
Compliant with IRS Section 409A

Since most of our workers are independent contractors, the company cannot offer a traditional 401(k) plan. Those types of retirement plans are generally only available to employees, not contractors. The company also cannot offer any kind of equity (like stock options) because we are not licensed as investment brokers and must follow securities regulations. However, we can offer a nonqualified deferred compensation (NQDC) plan, which allows you to delay receiving some of your pay until later. Under IRS rules, it's permissible to credit a reasonable fixed interest rate, such as 7% APY, on the deferred amounts, as long as the plan follows all requirements.

How Deferral Elections Work (in Simple Terms): According to IRS rules under Section 409A, you must make your choice to defer compensation (called a "deferral election") before the calendar year in which you perform the services and earn the pay. For example, if you want to defer part of your 2026 earnings, you must decide by December 31, 2025. Your election specifies what percentage of your pay to defer (from 1% to 100%), when payments will start, and how they'll be made (e.g., monthly). This choice is irrevocable—you can't change it easily once made. If you want to make a change later (like delaying payments further), it must be done at least 12 months before the original payment date, delay the payments by at least 5 years, and not speed up (accelerate) any payments. The timing and form of payments must be locked in at the initial election to avoid tax penalties.

Example to Help Understand Deferral: Suppose you're a contractor earning $4,000 per month in 2026. In December 2025, you elect to defer 10% ($400 per month) into the plan. You won't pay taxes on that $400 each month right away, and it won't show up on your 2026 Form 1099-NEC or 1099-MISC. Instead, it's reported and taxed only when you actually receive it later. This can help if you're receiving Social Security or other benefits that depend on your reported income level, as your taxable income for the year will be lower (just the 90% you receive immediately). Remember, this is still your earned compensation—just delayed—not an investment or loan.

Important Details About the Plan: This plan is simply a promise to pay you later; it's unfunded (no money is set aside in a separate account just for you) and unsecured (your deferred amounts are subject to the company's general creditors if there's a bankruptcy). It's compensation for your services, not an investment or a loan. If you defer pay, we'll credit interest at a fixed 7% APY (annual percentage yield) on the total deferred balance. This rate is reasonable under IRS guidelines and will be reviewed and reset if needed no later than every five years from when each amount is deferred, to stay compliant. Payments of interest (and principal, if elected) will be made monthly, starting on a permissible trigger event: your elected retirement date (no earlier than age 65) or if you become disabled and unable to work.

Example of How Interest and Payments Work: Imagine you've deferred $100,000 total by age 65. At your initial election, you choose to start receiving monthly payments at age 65. This could mean $583.33 per month ($7,000 per year) in interest-only payments, leaving the principal intact to keep growing. If, well in advance, you want to delay starting these payments (e.g., to let the balance grow more), you must follow the IRS change rules: Decide at least 12 months before age 65, and push the start date back by at least 5 years (to age 70 or later). You can't just skip a year or two—any delay must be for at least 5 years to comply. If you defer following these rules and add no new contributions, your balance could grow to $107,000 after one year, leading to higher future monthly payments (like $624.16 per month starting at the new delayed date). A larger deferred balance means bigger interest payments, but all choices must fit IRS timing rules to avoid penalties.

What Happens if You Die? If you pass away, any remaining payments will go to your designated beneficiary, such as your spouse or (if your spouse is no longer living) your children. This is a one-time transfer to them upon your death—it's not designed to continue forever (in perpetuity), as that could violate federal and state laws limiting long-term arrangements.

Emergency Withdrawals (Unforeseeable Emergencies): In case of a true unforeseeable emergency—defined strictly by the IRS as a severe financial hardship from events like a sudden illness, accident, or the death of a family member (e.g., to cover medical bills or funeral costs)—you can request a withdrawal. This is limited to the smallest of: the amount actually needed to cover the emergency (after using other available resources), 50% of your total deferred principal, or $50,000. You'll need to provide 7 days' notice and documentation. The withdrawal is a permanent distribution—you won't earn interest on the withdrawn amount going forward, and it will be taxed when received. This isn't a loan; you don't repay it.

Risks and Disclaimers: The company cannot make any guarantees about the plan's performance or your future payments, as required by federal and state rules. Deferred compensation always carries risks, like the possibility of company financial issues affecting payments. Noncompliance with IRS Section 409A could lead to immediate taxation of all deferred amounts, plus a 20% penalty tax and interest charges for you. We are not providing investment, tax, or legal advice—please consult your own tax advisor, attorney, or financial professional to see if this fits your situation. They can explain how it might affect your taxes, benefits, or overall finances in plain terms.

This plan is designed to follow IRS Section 409A rules for independent contractors. If you'd like to participate, we'll provide a written agreement outlining your elections. Remember, while this can help with tax deferral, it's not risk-free and may not be right for everyone.