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2026 Nonqualified Deferred Compensation Plan Recordkeeper Survey

Explore the Latest Insights



A Valuable Tool for Closing the Retirement Gap

Limitations on 401(k) contributions make it difficult for high earners to save adequately for retirement. As these individuals look to close the gap between what's available through social security and traditional retirement accounts and their typical lifestyle expenses, nonqualified deferred compensation (NQDC) plans offer an important, tax-efficient savings vehicle.

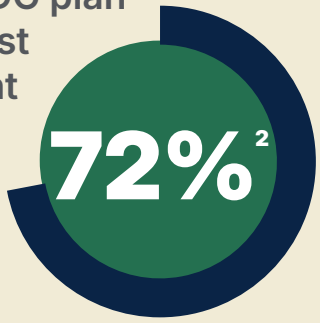
Because accurate, comprehensive market insights are essential to effective plan design, benchmarking, and industry advocacy, MBS Financial conducts a biennial survey of the nation's largest NQDC recordkeepers. This year, we partnered with Finseca for the first time to broaden the survey's industry impact and strengthen the collective understanding of market trends and developments. Drawing on responses from 19 leading recordkeepers, the survey provides a unique aggregated perspective on the state of the NQDC marketplace.

America faces a retirement savings gap of

$6.8 - $14T[1]

These are the additional assets needed by working households for adequate retirement savings.

On average, NQDC plan participants boost overall retirement savings by



[1] https://www.nirsonline.org/research/the-retirement-savings-crisis-is-it-worse-than-we-think/
[2] Average 401K balance from Vanguard, "How America Saves," page 52, figure 53 (https://workplace.vanguard.com/insights-and-research/report/how-america-saves-2026.html (average NQDC plan holdings/average 401k balance)

A High-Level View of the NQDC Plan Market

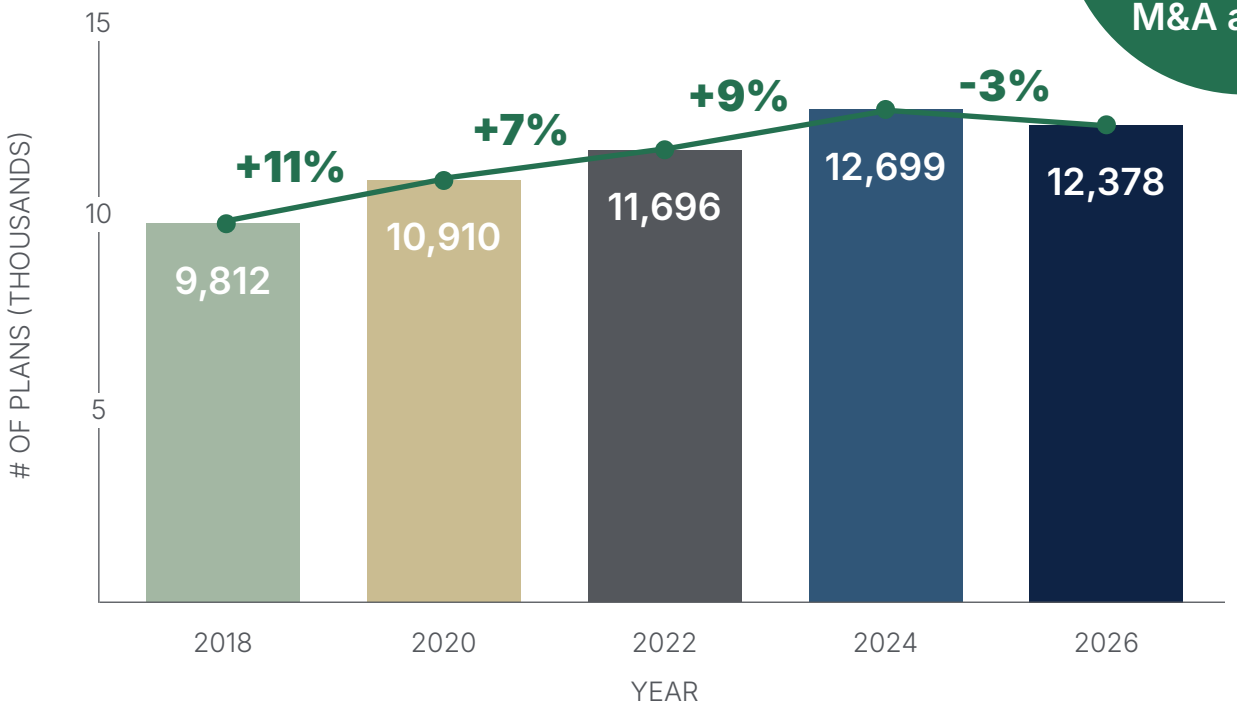
The market continues to demonstrate strong participant growth despite a modest decline in total plan count. Participant totals reached a record 864,000 in 2026. The market remains heavily concentrated among small and medium-sized employers, with nearly half of all plans covering 1 to 10 participants, underscoring the importance of NQDC plans across organizations of all sizes as a tool to attract and retain key talent.

Even with a record number of Baby Boomers retiring, the number of NQDC plan participants has increased 38% since 2018

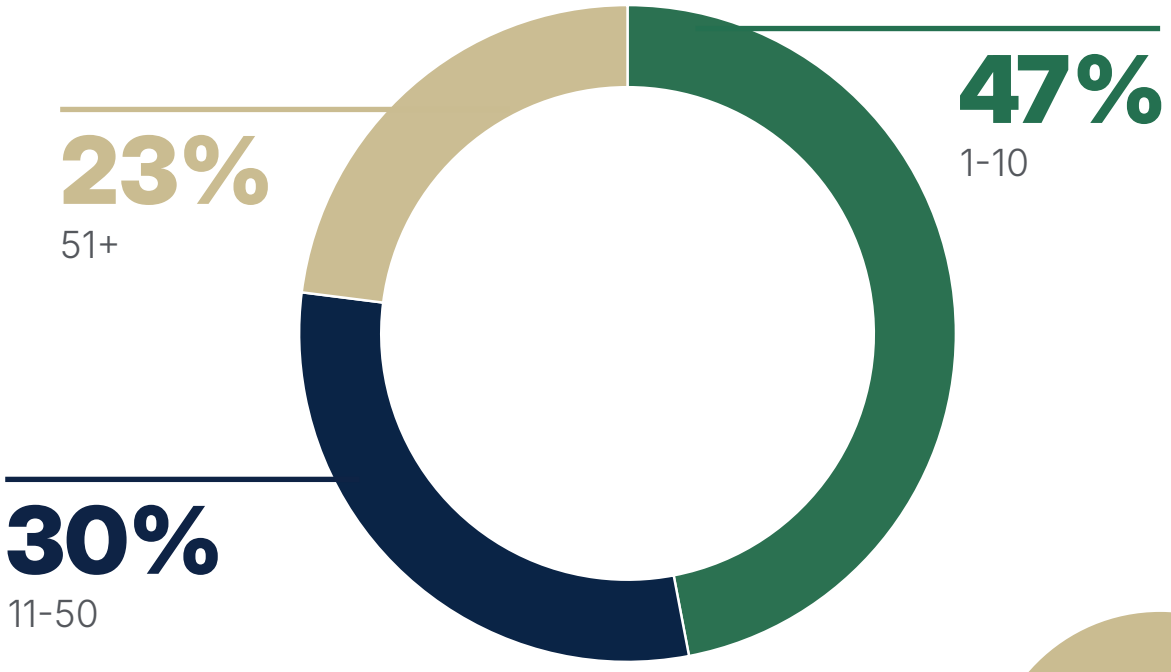
+38%

3%
decrease from prior survey likely due to M&A activity

NQDC Plans

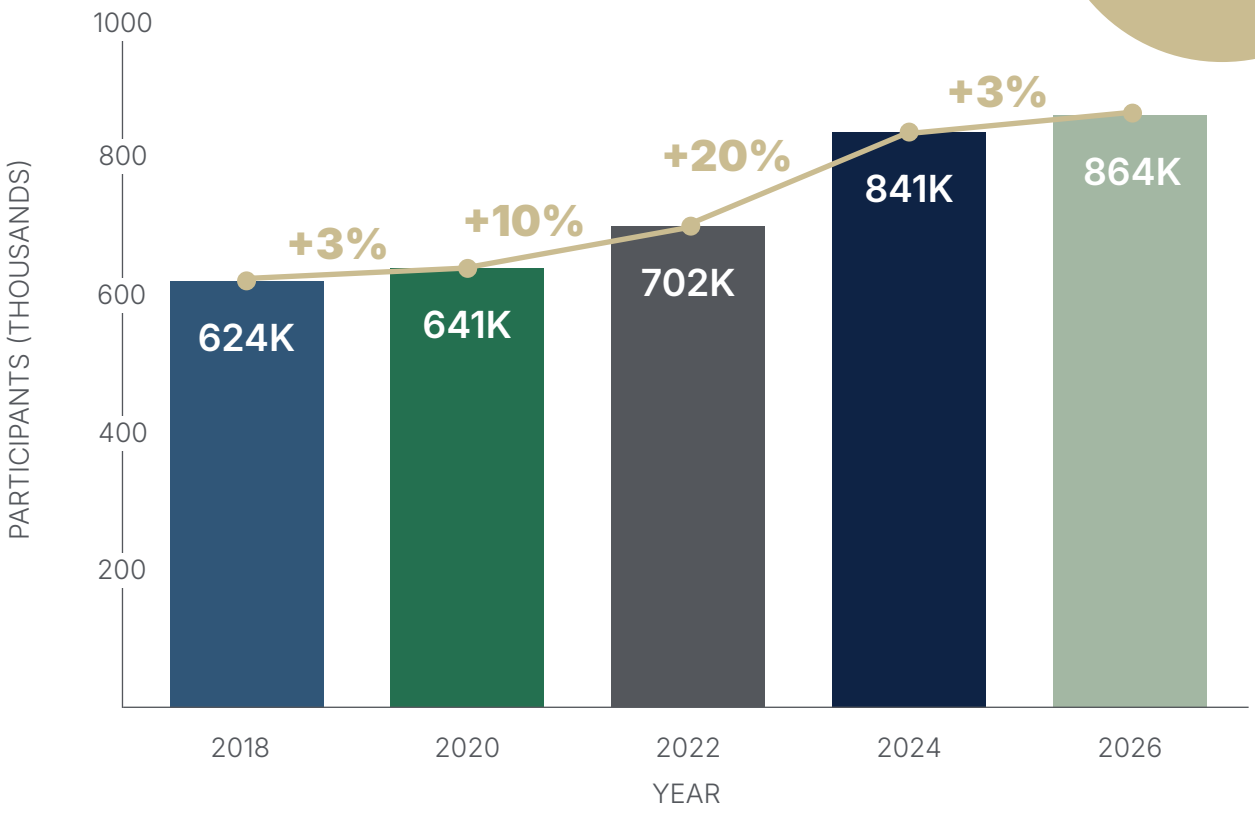


Percentage of Plans by Participant Count



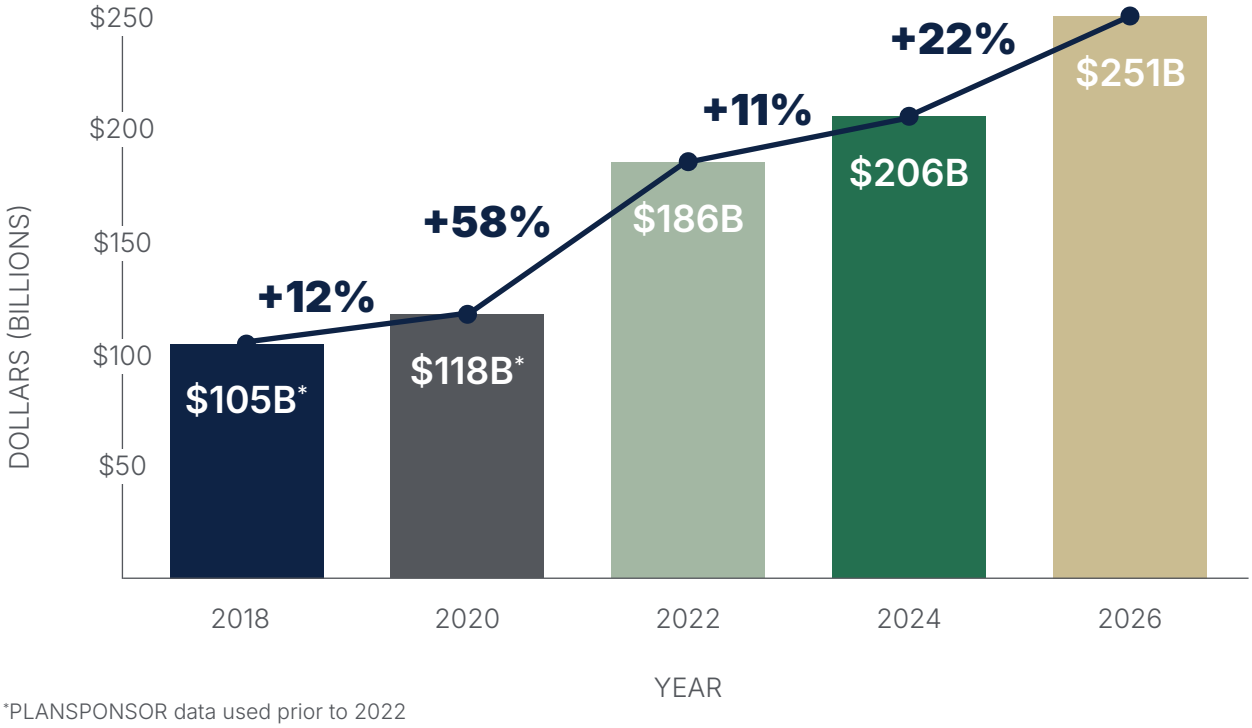
Participants

3%
increase over prior survey



NQDC Liability

22%
increase over prior survey



*PLANSPONSOR data used prior to 2022

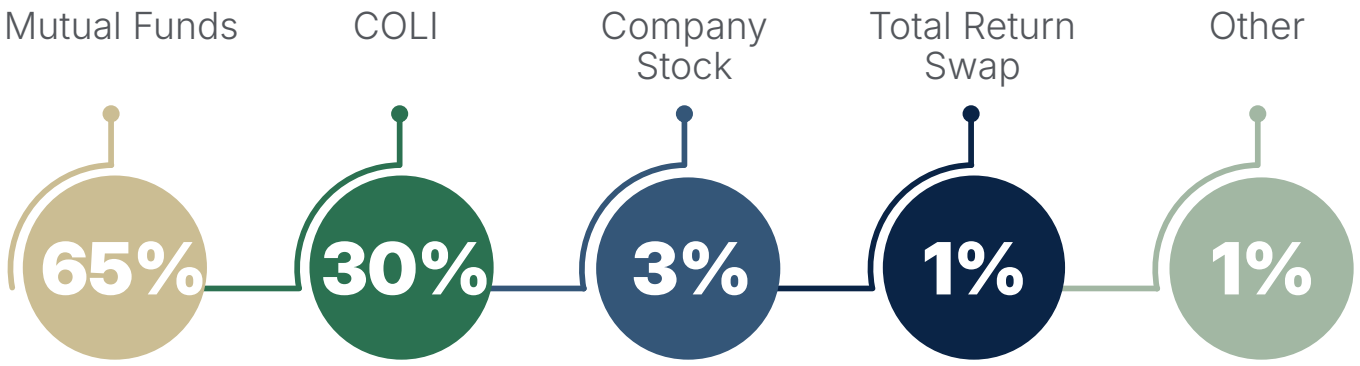
Key Insight

The continued rise in participant counts suggests that retirement preparedness remains a top priority for eligible employees. Given Social Security benefits could be reduced in the coming years, if legislative action is not taken, NQDC plans are an increasingly important tool for helping participants close the retirement savings gap and supplement future retirement income. Total plan liability also continues to grow, increasing 22% from the previous survey due to strong market performance.

Informal Funding

82% of companies informally fund their NQDC plans.
77% of informally funded NQDC plans utilize a Rabbi Trust.

Primary Informal Funding Vehicles



Key Insight

The increasing prevalence of informal funding, rising from 79% of plans in 2024 to 82% in 2026, reflects two key priorities among plan sponsors: reducing P&L volatility and setting aside assets today to help meet future benefit obligations.

The fact that 77% of informally funded plans utilize a Rabbi Trust highlights the value employers place on providing participants with greater confidence that assets have been designated to support future benefit payments.

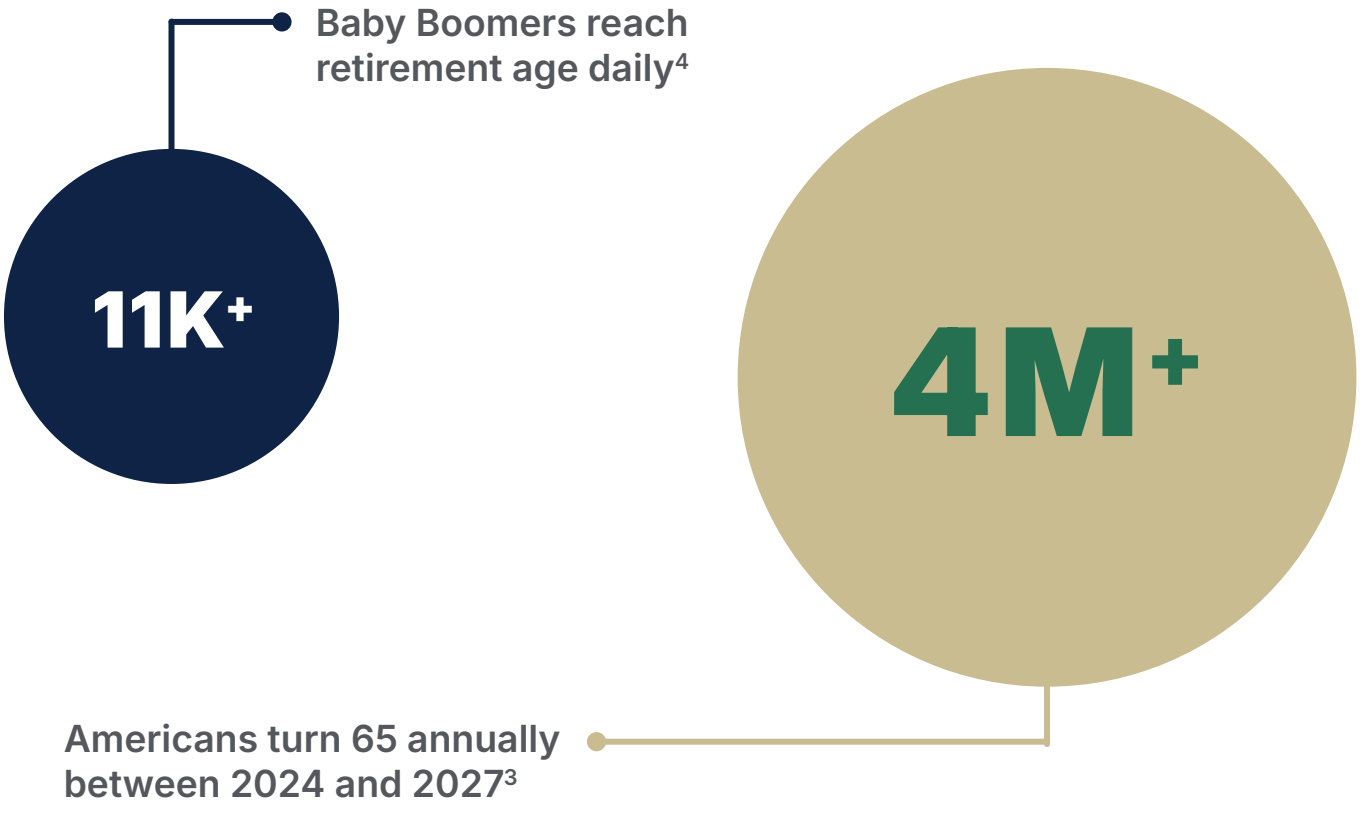
Although still a very strong informal funding vehicle, the percentage of plans utilizing COLI is shrinking slightly because much of the growth in the number of plans has been on the smaller end of the marketplace where COLI is less advantageous.

Participation by the Numbers

Eligible employees continue to value NQDC plans, with strong overall participation rates and significant deferrals of both variable and base compensation leading to an increase in overall plan liability.

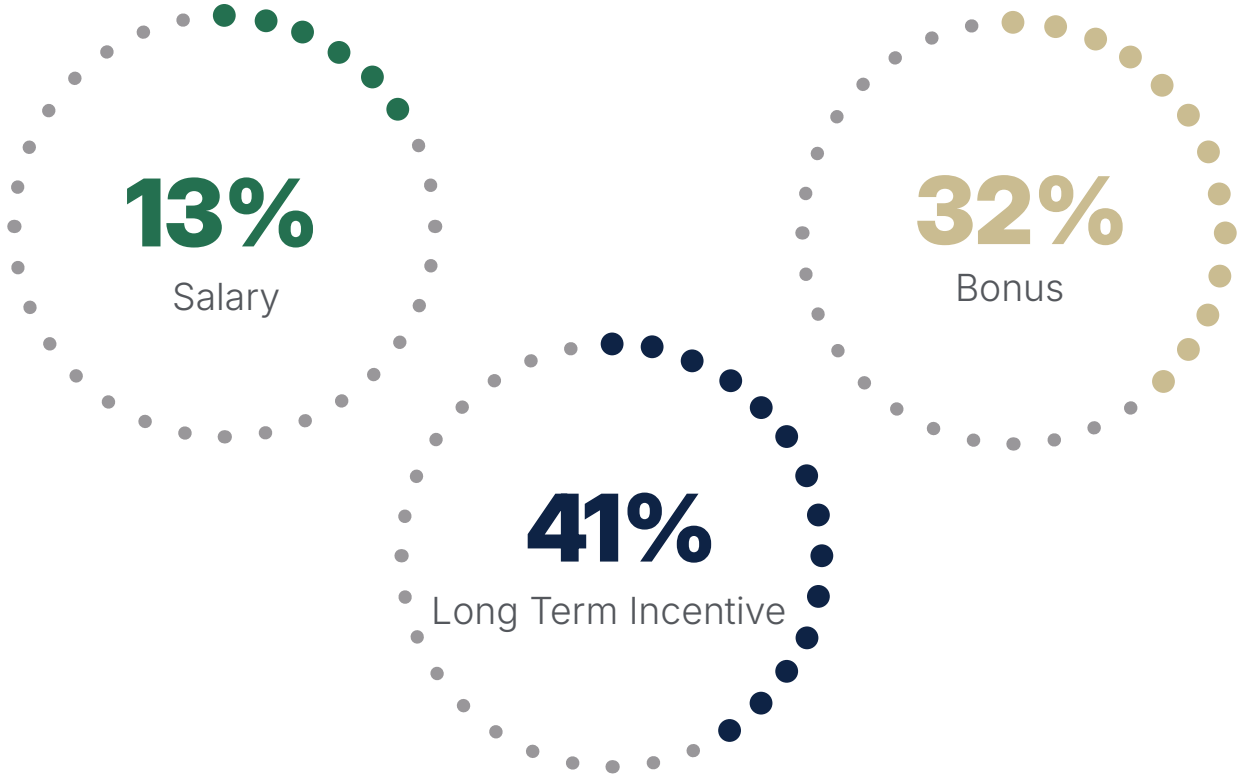
While participation remains strong, the pace of participant growth has slowed down, likely due to elevated retirement activity among Baby Boomers.

The Baby Boomer Retirement Bubble



[3 & 4] https://www.limraconsumer.com/peak65/

Plan Participation: 2026 Average Participant Deferral Rates



Offering additional sources of compensation to defer creates more opportunity to save. Many participants rely on their salary for current needs, but they have the potential to save a greater portion of variable income with an NQDCP.

Key Insight

NQDC plans are essential tools for attracting and retaining high-wage talent. Employers understand that the IRS limits on qualified retirement savings severely limit the ability of high earners to accumulate assets for retirement. That's why **71%** of NQDC plans offer some form of employer contribution, with the vast majority making up for lost 401(k) match due to IRS limits. Employer contributions are typically a strong driver of participation as well.



30% Average Plan Participation

$290,509

Average Participant Balance

$20.3M

Average Plan Size



of Plans Include Company Contributions

Although

76%

of Americans say retirement saving is important, only

39%

report having a plan that would allow them to retire when they want[5]. This disconnect reinforces the importance of benefits that help employees save beyond traditional retirement programs, making NQDC plans a powerful tool for attracting and retaining key talent.

Participant education plays a vital role in driving plan participation. NQDC plans offer significant retirement planning opportunities, but their complexity requires participants to understand how much they can defer, the tax implications of their decisions, the restrictions imposed by Section 409A, and bankruptcy risk.

[5] https://bipartisanpolicy.org/article/new-survey-retirement-expectations-dont-match-reality/

As participants seek additional sources of retirement income, NQDC plans can play an important role in retirement readiness. Many plans offer fixed-rate investment options with guaranteed minimum returns, providing participants with another avenue to supplement retirement income and manage cash flow in retirement.

Annuity sales reached a record

$464.1B

in 2025[6]. Increasing interest in annuities reflects the consumers' perceived need for predictable retirement income.

In closing, record participant growth, rising plan liabilities, and sustained demand for retirement income solutions highlight the strength and evolving role of NQDC plans in today's retirement landscape. The NQDC plan marketplace remains small yet competitive, with a limited number of recordkeepers to provide these specialized services.

Have Questions about Nonqualified Deferred Compensation Plans? Let's talk.

At MBS Financial, we are singularly focused on crafting executive benefit programs that balance employee retention with stakeholder interests. To discuss a new or existing plan, or learn more about this survey, speak with a consultant today. Contact us.

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[6] LIMRA Annuity Sales Survey (https://www.limra.com/en/newsroom/news-releases/2026/limra-final-u.s.-retail-annuity-sales-set-new-sales-high-totaling-$464.1-billion-in-2025/)