Medicare and IRMAA:

Higher income can lead to Medicare premium surcharges

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When planning your health care expenses in retirement, it's helpful to get to know IRMAA — income-related monthly adjustment amount — or, in other words, a Medicare premium surcharge. If you make more than a certain amount of money, you'll pay more for Medicare Part B and Part D premiums. IRMAA can be significant, so understanding it can help you better estimate your health care expenses in retirement and avoid unwanted surprises.

The following table shows **the amounts added per person** to the base Medicare Part B and D premiums for 2025 for those who are subject to IRMAA.[1]

Modified adjusted gross income (MAGI) from 2023[2]		Part B enrollees surcharge for 2025 (in addition to the Part B premium)[3]		Part B and D enrollees surcharge for 2025 (in addition to the Part B and D premiums)	
Individual[4]	Married filing jointly[5]	Monthly	Annual	Monthly	Annual
$106,000 or less	$212,000 or less	N/A	N/A	N/A	N/A
$106,001–$133,000	$212,001–$266,000	$74.00	$888.00	$87.70	$1052.40
$133,001–$167,000	$266,001–$334,000	$185.00	$2,220.00	$220.30	$2,643.60
$167,001–$200,000	$334,001–$400,000	$295.90	$3,550.80	$352.90	$4,234.80
$200,001–$499,999	$400,001–$749,999	$406.90	$4,882.80	$485.50	$5,826.00
$500,000+	$750,000+	$443.90	$5,326.80	$529.70	$6,356.40

1 Source: ssa.gov.
2 Or 2022 if 2023 isn't available.
3 For 2025, the base premium for Part B is $185 per month.
4 Single, head of household or qualifying widow(er) with dependent child.
5 For married filing separately: Those with MAGI from 2023 of $106,001–$393,999 are subject to a surcharge of $406.90/month for Part B premiums and $485.50/month for Part B and D premiums. Those with MAGI from 2023 of $394,000 and above are subject to a surcharge of $443.90/month for Part B premiums and $529.70/month for Part B and D premiums.

How is IRMAA assessed?

IRMAA is based on your modified adjusted gross income (MAGI) from two years ago.[6] For example, to determine whether your 2025 Medicare premiums were subject to IRMAA, the government looked at your 2023 tax returns. IRMAA is reassessed each year, so whether you're subject to IRMAA and which bracket you fall into can change from year to year.

For most people, MAGI for IRMAA can be calculated by adding together:

- Adjusted gross income (line 11 on Form 1040)
- Tax-exempt interest income (line 2a on Form 1040)

See the following for more details.

Modified adjusted gross income (MAGI)

Your MAGI* consists of:

- Adjusted gross income (AGI), which commonly includes things like:
  - Earned income from employment
  - Social Security income (many people will have 50%–85% of their Social Security benefits taxed)
  - Distributions from traditional retirement accounts (e.g., IRAs, 401(k)s)
  - Investment income such as dividends and capital gains
  - Pension income
- Tax-exempt interest income (e.g., municipal bond interest)
- Interest from U.S. savings bonds used to pay higher education tuition and fees
- Earned income of U.S. citizens living abroad that was excluded from gross income
- Income from sources within Guam, American Samoa, the Northern Mariana Islands or Puerto Rico, not otherwise included in AGI

* Congressional Research Service, *The Use of Modified Adjusted Gross Income (MAGI) in Federal Health Programs.*

How will I know whether I'm subject to IRMAA?

You'll receive a notice from the Social Security Administration (SSA) that explains whether IRMAA will apply, what information was used to calculate it and instructions on how to appeal the determination if you wish to do so.

Should I appeal?

IRMAA may be reassessed under certain circumstances if an appeal is submitted. Keep in mind, an appeal would only be beneficial if the change moves you to a lower IRMAA bracket.

Circumstances in which IRMAA may be reassessed:

- Incorrect or outdated information — For example, the SSA relied on a tax return that was filed three years ago rather than two years ago, a tax return that has since been amended or information that is otherwise incorrect.
- Life-changing events — When you have experienced one of the following:
  - Retirement (or work reduction/stoppage) — This is one of the more common reasons for appealing.
  - Marriage or divorce/annulment
  - Death of spouse
  - Involuntary loss of income-producing property (e.g., due to natural disaster, fraud/theft, etc.)
  - Loss of pension income
  - Receiving an employer settlement payment because of the employer's bankruptcy or reorganization

How do I appeal?

You have 60 days from receiving your initial determination notice to appeal, and instructions are included in that notice. To start, you'll need to contact the SSA. You may need to file Form SSA-44 and provide supporting documentation.

6 The government uses different measures of MAGI for different purposes. The MAGI used to determine IRMAA is different from the MAGI used to determine IRA contribution eligibility and deductibility, ACA Insurance premium subsidies, Medicaid qualification, etc.

Are there ways I can manage my MAGI and reduce IRMAA?

Your financial advisor and tax professional can help you identify whether there are ways to manage your MAGI to avoid IRMAA or prevent yourself from moving into a higher bracket if you're already subject to IRMAA. Your financial advisor can help identify which strategies may be relevant to your situation, and a tax professional can help calculate the impact of each.

There are a few strategies to consider, and these are generally ordered from highest priority to relatively lower priority. The next page contains more details.

	May be appropriate if:	Considerations
Use Health Savings Account (HSA) distributions	• You have an HSA • You have qualified medical expenses	HSA funds are best used earlier in retirement due to unfavorable estate treatment (unless they're passed to a spouse).
Take qualified charitable distributions (QCDs)	• You are charitably inclined • You have a traditional IRA • You are 70½ or older	Limited to $108,000 in 2025 (indexed annually)
Minimizing large taxable income-generating activities	You are considering activities such as: • A Roth conversion • A sale that triggers substantial gains • A larger-than-usual distribution from a traditional retirement account	You may not be able to control the timing and effect of these activities.
Roth distributions	• You have a Roth account	As tax-free assets that could be used in future years or passed along to heirs, consider the current benefit versus future benefits they could provide.

- ***Health Savings Account (HSA) distributions —*** If you have an HSA, you can use distributions from it to cover qualified medical expenses without increasing your MAGI, including paying the premiums, deductibles and copays for Medicare Parts A, B, C and D (but not Medigap premiums).

  We know health care expenses are among the largest expenses individuals face in retirement. It's especially painful if you use taxable income to cover those expenses, and that income then results in higher Medicare premiums. Using HSA distributions allows you to cover medical costs while managing MAGI. Additionally, HSAs generally don't have favorable estate treatment (unless going to a spouse), so it's advantageous to use the funds during your lifetime. (Ask your financial advisor for a copy of "Five things to know about HSAs.")
- ***Qualified charitable distributions (QCDs) —*** If you're charitably inclined, 70½ or older and have a traditional IRA, a QCD may be useful. This is especially true if you've reached age 73 and must take required minimum distributions (RMDs). A QCD can help you satisfy your RMD, give to your charity of choice and do so without increasing your taxable income (up to $108,000 in 2025, indexed annually). We recommend consulting with a tax professional, as the rules can be complex.
- ***Minimizing large taxable income-generating activities —*** Certain situations are likely to increase your MAGI bracket, such as if you complete a sizable Roth conversion, have a sale that triggers substantial gains or take a larger-than-usual distribution from a traditional retirement account. You can work with your financial advisor and tax professional to identify the impact and explore options such as splitting the action over two (or more) taxable years. So you aren't caught off guard, be aware that these may result in higher Medicare premiums.
- ***Roth distributions —*** If you have Roth assets and are close to exceeding an IRMAA threshold, you may be able to use the tax-free distributions to keep from crossing it. Using Roth distributions can be counterintuitive because the rule of thumb in retirement is often to spend from taxable accounts, then traditional/tax-deferred accounts and last from Roth/tax-free accounts. But not triggering IRMAA (or staying in a lower IRMAA bracket) may be worth tapping into these assets. Keep in mind that means fewer tax-free assets for you to use in future years or pass along to your heirs, which is why these are listed last.

Roth conversions

Roth conversions — moving funds from a traditional retirement account to a Roth retirement account — can potentially affect IRMAA. The amount of the conversion is typically subject to income taxes, increasing your MAGI. But then Roth conversions can help save on IRMAA in future years, both by reducing future RMDs and providing a source for tax-free withdrawals. They are especially advantageous if they are completed three or more tax years before you enroll in Medicare (age 62 or earlier for most people). If you've missed that window, the conversion could increase IRMAA in the short term (as it's likely to increase MAGI in the year it's executed) but may still be worthwhile longer-term.

What you can do ahead of retirement

The earlier you start planning, the more options you'll have to manage your MAGI in retirement. If you're still preparing for retirement, you can give your future self additional flexibility by:

- Diversifying your retirement savings among tax-deferred and tax-free retirement accounts, so you can tap into tax-free assets in retirement when it would be beneficial
- Using Roth conversions to create a source of tax-free assets (see box on Roth conversions)
- Contributing to an HSA if eligible and saving those contributions for retirement

Knowledge and professional advice can help you avoid surprises

Navigating Medicare and managing your health and expenses in retirement can seem daunting. Staying informed and seeking the help of your financial advisor and tax professional can make you more prepared and in control. Take advantage of all the resources available to you, and you'll be on your way to a happier and more successful retirement.

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