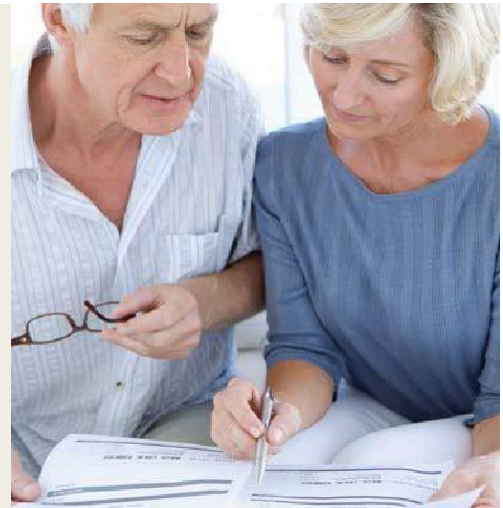




Increased Medicare Premiums

For Higher Income Retirees, Surcharges May Apply

For high income Medicare beneficiaries, Part B and Part D premiums include a surcharge known as the Income-Related Monthly Adjustment Amount (IRMAA). Since 2020, the income thresholds that determine the amount of the surcharge are adjusted annually for inflation, except for those in the top income tier. For those in the top income tier, inflation adjustments will begin in 2028.



Medicare Enrollment

Medicare enrollment for most people begins at age 65. Late enrollment can lead to penalties. If you are receiving Social Security benefits before age 65, you are automatically enrolled in Medicare. If you have creditable health insurance coverage through your employer (or your spouse's), you can choose to opt out of Medicare until your coverage ends to avoid late enrollment penalties. For most people, Part A (hospital insurance) is free. Part B (physician's services) and Part D (prescription drug coverage) require a monthly premium payment.

Medicare Part B

For most seniors, the government covers about 75% of your Medicare Part B costs and you pay 25%. If you receive Social Security payments, your Medicare Part B premium is deducted from your monthly Social Security check, otherwise, you are billed directly for your premiums.

For 2024, individuals with income of \$103,000 or more, and married couples with income of \$206,000 or more, pay a larger percentage of their Medicare costs. Depending on your income, you could be required to pay up to 85% of the total monthly cost.

The Social Security Administration (SSA) uses your modified adjusted gross income (MAGI) from your most recently filed federal tax return to calculate annually the additional amount you must pay. When determining your 2024 Medicare premiums, they use the most recent tax return available – your 2022 tax return. Keep in mind too, that MAGI includes tax-exempt interest income even though it is tax free.

The SSA will send you a letter if you are subject to IRMAA and therefore will be paying higher premiums. Also, if your income drops below the thresholds for certain reasons, such as marriage, divorce, death of a spouse or stopping work, you can ask the SSA to review your individual situation.

Financial Planning

How Are Premiums Determined?

There are currently six income tiers for Medicare Part B and Part D premiums, the first of which is where the standard or base plan premium applies. The other five define the percentage of the monthly premium payment that you pay, which increases from 25% for the standard premium to as much as 85% for the highest income tier.

What that means in dollars and cents is in 2024, individuals with a MAGI above \$103,000 (or married couples with a MAGI above \$206,000) will pay an additional cost ranging from \$69.90 to \$419.30 a month on top of the base Part B premium amount of \$174.70. Total monthly premiums with the IRMAA surcharge would range from \$244.60 to \$594.00 a month.

Medicare Part D

These income tiers also apply to Medicare Part D (prescription drug coverage), but your base premium payment is dependent on the specific Part D plan in which you are enrolled. The additional costs for Part D premiums in 2024 for higher income Medicare beneficiaries will range from \$12.90 to \$81.00 a month.

Strategies to Reduce Future Medicare Costs

Because your current year income tax information will determine what your Medicare premiums will be two years from now, you may be able to implement income reduction strategies today that will help you better manage your Medicare premiums down the road. For example, in addition to your earnings from employment, your AGI includes things like half of your Social Security income, distributions from traditional IRAs, 401(k)s or other workplace retirement plans, and investment income such as

dividends and capital gains. Therefore, using strategies that reduce your AGI will help you control your Medicare costs.

Here are a few strategies you could consider that may help with your future Medicare costs:

- Using Roth savings for retirement income
- Making Qualified Charitable Distributions
- Reviewing your investments for tax loss harvesting
- Taking advantage of Health Savings Accounts

Using Roth Savings for Retirement Income

If you have a Roth IRA or Roth account balances in your workplace retirement plan, and you have had those accounts for at least five years, withdrawals are income tax free if you are also over the age of 59 ½ (although you have to also be separated from service or retired in most cases to access workplace retirement plan balances). Because Roth accounts can provide tax free income during retirement, they are a good way to provide income without increasing your AGI. Keep in mind, however, that if you are planning to fund a Roth IRA by converting pre-tax retirement account balances, a conversion will increase your taxable income and AGI, but only in the tax year of the conversion.

Qualified Charitable Distributions (QCDs)

If you are aged 70 ½ or older, qualified charitable distributions (QCDs) provide a tax-free way to withdraw IRA assets while gifting to your favorite charity(ies). The QCD must be made directly from the IRA to the charity and is limited to \$100,000 in 2023 (increasing to \$105,000 in 2024). QCDs count toward any required minimum distributions (RMDs) you have if you are aged 73 or older. Also, beginning in 2023, a one-time gift in an amount up to \$50,000 can be made to a charitable split interest entity (increasing to \$53,000 in 2024).

Financial Planning

Tax Loss Harvesting

Another common strategy to reduce income taxation, and in turn your AGI, is to review your portfolio for opportunities to sell investments that have losses to offset capital gains on others. When selling investments for a loss, it is the trade date – not the settlement date – that determines if your transaction is long term or short term. When netting capital gains and losses, you first net short-term gains and short-term losses, then net long-term gains and long-term losses, and then net short-term against long-term. You can also deduct up to \$3,000 of excess losses against ordinary income and carry over any remaining losses to use in future tax years.

Health Savings Accounts (HSAs)

Another useful strategy for dealing with health care costs in retirement is taking advantage of Health Savings Accounts (HSAs). If you are covered by a

high-deductible health care plan, you can save for future health care expenses in a tax-advantaged way using a HSA. Contributions to a HSA are tax deductible and can be made until age 65 (Medicare enrollment age), the earnings on your investments grow tax-deferred, and when used for qualified health care expenses, the withdrawals are income tax free. Qualified withdrawals include using HSAs to pay for Medicare Part B, Part D and Medicare Advantage plan premiums, deductibles, copays and coinsurance.

Take some time now to review your situation with your tax and financial advisor and discuss ways to reduce your modified AGI, especially if your income is near the top or the bottom of one of the Medicare IRMAA income tiers, to minimize the impact of your Medicare costs in retirement.

Financial Planning

2024 Medicare Part B and Part D Premiums			
2022 Modified Adjusted Gross Income (MAGI) - From 2022 Tax Return	Premium Tiers % of Total Cost	2024 Part B Monthly Premium	2024 Part D Monthly Premium
Individuals with a MAGI of \$103,000 or less Married couples with a MAGI of \$206,000 or less	25%	Standard premium = \$174.70	Your plan premium
Individuals with a MAGI above \$103,000 up to \$129,000 Married couples with a MAGI above \$206,000 up to \$258,000	35%	Standard premium + \$69.90 Total premium = \$244.60	Your plan premium + \$12.20
Individuals with a MAGI above \$129,000 up to \$161,000 Married couples with a MAGI above \$258,000 up to \$322,000	50%	Standard premium + \$174.70 Total premium = \$349.40	Your plan premium + \$33.30
Individuals with a MAGI above \$161,000 up to \$193,000 Married couples with a MAGI above \$322,000 up to \$386,000	65%	Standard premium + \$279.50 Total Premium = \$454.20	Your plan premium + \$53.80
Individuals with a MAGI above \$193,000 up to \$500,000 Married couples with a MAGI above \$386,000 up to \$750,000	80%	Standard premium + \$384.30 Total Premium = \$559.00	Your plan premium + \$74.20
Individuals with a MAGI at or above \$500,000 Married couples with a MAGI at or above \$750,000	85%	Standard premium + \$419.30 Total Premium = \$594.00	Your plan premium + \$81.00

Source: [2024 Medicare Parts A & B Premiums and Deductibles | CMS](#)

IMPORTANT DISCLOSURES The information provided is based on internal and external sources that are considered reliable; however, the accuracy of this information is not guaranteed. This piece is intended to provide accurate information regarding the subject matter discussed. It is made available with the understanding that Benjamin F. Edwards is not engaged in rendering legal, accounting or tax preparation services. Specific questions on taxes or legal matters as they relate to your individual situation should be directed to your tax or legal professional.