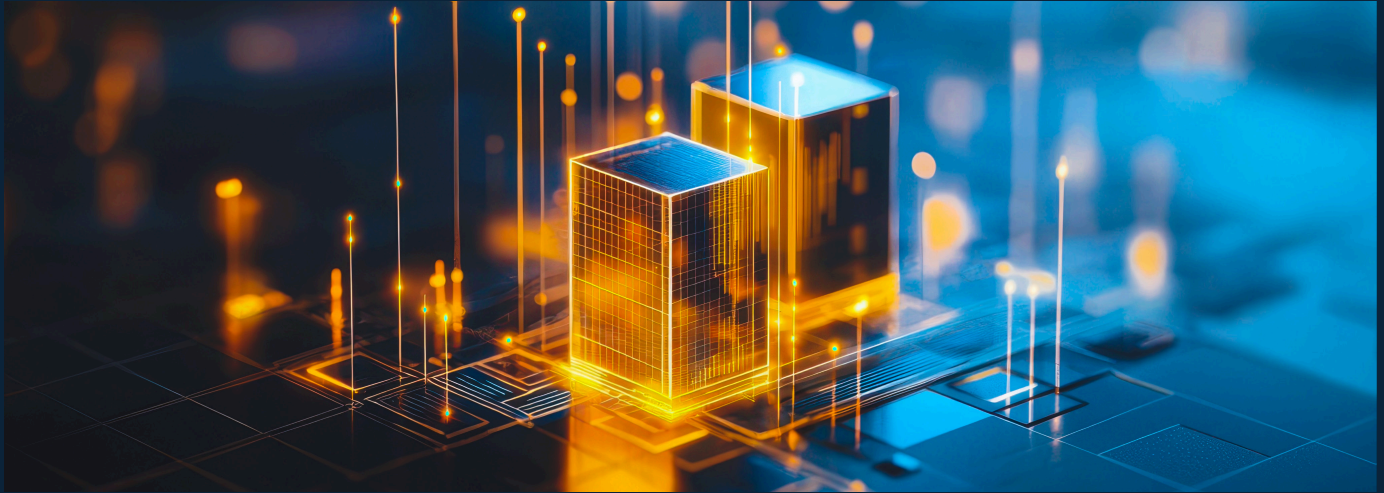




IRMAA — The Stealth Tax Impacting Today's Retirees

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OVERVIEW

For retirees, healthcare is one of the largest expenses in retirement—and it's rising faster than inflation. But what many don't anticipate is the Income-Related Monthly Adjustment Amount (IRMAA): a surcharge on Medicare premiums based on income. Often referred to as a "stealth tax," IRMAA can catch higher-income retirees off guard and take a significant bite out of retirement income.

This white paper outlines what IRMAA is, how it's calculated, who it affects, and what strategies today's retirees can use to mitigate its impact.

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WHAT IS IRMAA?

The **Income-Related Monthly Adjustment Amount (IRMAA)** is an additional premium charged on top of standard Medicare Part B and Part D premiums for individuals with higher incomes. Instituted in 2003 under the Medicare Modernization Act and expanded in 2010, IRMAA is designed to make wealthier retirees pay a greater share of Medicare costs.

It affects:

- **MEDICARE PART B.** (doctor visits and outpatient services)
- **MEDICARE PART D.** (prescription drug plans)

HOW IS IRMAA CALCULATED?

IRMAA is determined based on your **Modified Adjusted Gross Income (MAGI)** from two years prior. So, **your 2023 income determines your IRMAA for 2025.**

FOR 2025, IRMAA BRACKETS BEGIN AT:

- **\$103,000** for single filers
- **\$206,000** for married couples filing jointly

THE HIGHER YOUR INCOME, THE HIGHER THE SURCHARGE. HERE'S A SIMPLIFIED BREAKDOWN OF 2025 MONTHLY PREMIUMS.

Income (Single)	Income (Joint)	Part B Premium
≤ \$103,000	≤ \$206,000	\$174.70
\$103,001–129,000	≤ \$206,000	\$244.60
\$129,001–161,000	\$258,001–322,000	\$349.40
\$161,001–193,000	\$322,001–386,000	\$454.20
\$193,001–500,000	\$386,001–750,000	\$559.00
> \$500,000	> \$750,000	\$594.00

STRATEGIES TO REDUCE OR AVOID IRMAA

1. MANAGE MAGI PROACTIVELY

IRMAA is based on MAGI, which includes:

- Adjusted gross income
- Tax-exempt interest (such as municipal bonds)

STRATEGIES:

- Withdraw from Roth IRAs instead of Traditional IRAs
- Use cash-value life insurance for tax-free income
- Shift investments into tax-efficient vehicles

2. TIME ROTH CONVERSIONS STRATEGICALLY

Roth conversions increase MAGI. Consider doing them before Medicare enrollment or spacing them over several years to avoid IRMAA jumps.

3. APPEAL WITH SSA FORM SSA-44

You may appeal IRMAA if your income dropped due to a “life-changing event,” such as:

- Retirement
- Divorce
- Death of a spouse
- Loss of income-producing property

Appeals can reduce or eliminate the surcharge.

4. USE CHARITABLE GIVING STRATEGIES

Qualified Charitable Distributions (QCDs) from IRAs after age 70½ can reduce taxable income without increasing MAGI.

5. COORDINATE TAX AND INCOME PLANNING

Work with a financial advisor and CPA to run annual MAGI projections and plan withdrawals accordingly. Aim to **stay just below** IRMAA thresholds when possible.



CASE STUDY: THE COST OF INACTION

John and Susan, both 67, retired last year. They sold a rental property and completed a \$150,000 Roth conversion in 2023.

Result? Their MAGI exceeded \$386,000—placing them in a high IRMAA tier for 2025. They now pay:

- **\$559/mo each** for Part B = \$13,416/year
- **\$74.20/mo each** for Part D = \$1,780.80/year

Total IRMAA cost: \$15,196.80

Had they spaced the Roth conversion over two years, they may have stayed in a lower bracket and cut that in half.



IRMAA isn't going away—and thresholds are not indexed to inflation. This means more retirees will be affected each year unless proactive planning is done.

- Understand the IRMAA brackets and how MAGI is calculated
- Project income two years ahead to anticipate surcharges
- Work with professionals to manage income and tax liability
- Use appeals when eligible
- Treat IRMAA like any other retirement expense: **Plan for it**

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ABOUT ECA MARKETING

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Our field-trained marketing staff brings extensive expertise in case design, assisting producers and groups in delivering creative solutions tailored to client needs. Unlike many competitors, our administrative staff operates as your back-office support, ensuring seamless case tracking and maximizing your time and cost efficiency.

At ECA Marketing, we continuously develop innovative software and compile key resources aimed at driving revenue and enhancing the competitive advantage of our partners. Our mission is to empower you with the right tools and knowledge to make informed decisions, ensuring the best solutions for every situation.

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