A RETIREMENT INSTITUTE GUIDE

IRMAA: What Is It and *What Causes It*

The Medicare surcharge that works two years behind your life — and is taken straight out of your Social Security check.

WELCOME

Knowledge first. Always.

The Retirement Institute exists to help Americans approaching and living in retirement make clear, confident, well-informed financial decisions — without the pressure of a sales pitch.

This is the third guide in our Social Security Series, part of a growing library of educational resources built to put real knowledge — and real control — back in your hands.

There's a charge showing up on millions of Medicare statements right now, and most of the people paying it have no idea why it's there — or that it's set to get worse. It's called IRMAA. It belongs in a Social Security guide for a simple reason: it's deducted directly from your Social Security check, and the same income that triggers it also drives up the tax on your benefit.

This guide explains what IRMAA is, the 2026 brackets, the two-year "ambush" that catches people off guard, what trips it, and how to plan around it — without overcorrecting.

BEFORE YOU BEGIN

This guide is for general education only. It is not personalized financial, tax, or legal advice, and no advisor-client relationship is created by reading it. The 2026 Medicare figures cited adjust annually; Medicare.gov is the authoritative source for current premiums and brackets. Please consult a qualified professional before acting. (Full disclosures appear at the end.)

INTRODUCTION

A surcharge that works *in the shadows*

IRMAA was designed for the top 1% of earners. Today it's reaching into the middle class — and it almost always finds the people who did everything right: the disciplined savers with the largest retirement balances.

What makes it so easy to miss is its design. IRMAA is based on income from **two years ago**, so the event that triggers it is often ancient history by the time the letter arrives. And you rarely write Medicare a check — the surcharge is pulled straight from your Social Security benefit before it ever reaches your bank account. It shows up not as a bill, but as a smaller deposit.

That's why most retirement projections miss it entirely. They model your *gross* Social Security and ignore both the tax on the benefit and the Medicare premiums coming out of it. The result is a net-income estimate that can be off by thousands of dollars a year — which forces larger withdrawals, which can trigger even more IRMAA.

> The only number that ultimately matters in retirement is **net** — what lands in your checking account after taxes, after Medicare premiums, after every deduction built into the system. IRMAA is one of the largest leaks almost no one plans for.

NUMBER 1

01

What IRMAA is — and what feeds it

IRMAA stands for **Income-Related Monthly Adjustment Amount**. In plain English: if your income is high enough, you pay a surcharge on top of your standard Medicare Part B and Part D premiums. It isn't a penalty for doing something wrong — it's a surcharge for doing something right. For saving. For building. For deferring taxes for decades.

It's based on your Modified Adjusted Gross Income (MAGI), and nearly every income source you can name counts toward it:

- Withdrawals and RMDs from IRAs, 401(k)s, 403(b)s, 457s, and TSPs
- Pensions, wages, self-employment income, and royalties
- Interest, dividends, and capital gains — including from CDs and "tax-exempt" municipal bonds
- Plus 50% of your Social Security benefit

Only two retirement tools sit outside MAGI and never trigger IRMAA: **Roth accounts** and **properly structured cash-value life insurance (a LIRP)**. (Health Savings Accounts used for qualified expenses also escape it.) Keep that in mind — it's the entire key to planning around this surcharge.

> *You rarely write Medicare a check. IRMAA is taken out of your Social Security benefit before you ever see it.*

NUMBER 2

02

Built for the 1%, now hunting the middle class

IRMAA was created by the Medicare Modernization Act of 2003 and took effect in 2007, aimed at the top 1–2% of earners. Today roughly 7–8% of Medicare beneficiaries pay it — and that share is climbing toward 10–15% as Baby Boomers retire with the largest IRA balances in history and RMDs force their income higher. Here are the 2026 Part B brackets, based on your income from **2024**:

2024 INCOME · SINGLE	2024 INCOME · JOINT	2026 PART B / MO
$109,000 or less	$218,000 or less	**$202.90**
$109,001 – $137,000	$218,001 – $274,000	**$284.10**
$137,001 – $171,000	$274,001 – $342,000	**$405.80**
$171,001 – $205,000	$342,001 – $410,000	**$527.50**
$205,001 – $500,000	$410,001 – $750,000	**$649.20**
Above $500,000	Above $750,000	**$689.90**

That's a 240% jump from the base premium to the top — per person, and on top of a *separate* Part D surcharge. And these are **cliffs, not slopes**: one extra dollar of income can cost nearly $1,000 a year. You don't ease into the next bracket; you fall off the edge of one and land in the next.

03

NUMBER 3

The two-year ambush

Here's the part that genuinely shocks people. IRMAA isn't based on what you earn this year. It's based on what you earned **two years ago**. The Social Security Administration uses the most recent tax return on file — which is typically two years old.

So if something happened in your financial life in 2024 — a large Roth conversion, the sale of a home, a bigger-than-expected RMD, a lump-sum pension payout, a surprise capital-gain distribution from a mutual fund — you could be paying elevated Medicare premiums right now, in 2026, and never connect the two events.

The bill arrives years after the income that caused it. By the time you read the letter, the triggering moment is ancient history. You can't undo it. You probably didn't plan for it. It simply lands in your mailbox.

> *That's the ambush: the cost shows up two years after the choice that caused it — long after you can do anything about it.*

The flip side is the opportunity. Because the lookback is knowable, IRMAA can be *planned*. The income decisions you make today are the IRMAA bill you'll receive two years from now — which means, with foresight, you can shape it.

NUMBER 4

04

The events that pull the trigger

The list of events that trip IRMAA is longer than most people expect — and nearly all of them look like success:

- **Required Minimum Distributions** — the biggest culprit. At 73, the government forces income out of your traditional accounts whether you need it or not; a well-funded IRA can throw off $40,000–$80,000+ a year.
- **Roth conversions** — they create taxable income now (though, as we'll see, often worth it).
- **Selling a home, property, or business** — the capital gain can spike MAGI in a single year.
- **Mutual-fund capital-gain distributions** — often involuntary; you can owe even if you never sold a share.
- **The death of a spouse** — the survivor shifts from joint to single, cutting the IRMAA threshold nearly in half overnight. A couple safely below the line can leave a survivor well inside IRMAA territory, alone and on a fixed income.

The common thread is that these are all signs of a life well-managed — turned into expensive surprises by the two-year lookback. And remember: the only income that *doesn't* count comes from Roth accounts, a properly structured LIRP, and HSAs.

> *IRMAA punishes the events that look most like winning. Planning is what keeps a good year from becoming an expensive one.*

NUMBER 5

05

The Social Security double hit — and the slow squeeze

IRMAA doesn't operate in isolation. The same income that trips it often increases how much of your Social Security benefit is taxable — up to 85%. A single income event can raise your Medicare premium *and* your Social Security tax at the same time. Two hits from one punch.

Then there's the slower squeeze. Social Security's annual cost-of-living adjustment (COLA) might run 2–3% in a typical year. But Medicare Part B premiums have grown closer to **6% a year** over the last decade — the most recent jump was near 9.7%, and the standard premium crossed $200 for the first time in 2026.

Do the math over time. Your benefit rises 3%; your premium rises 6–8%. Year after year, the gap closes — and the amount that actually reaches your checking account can *shrink* even as your gross benefit grows. For retirees in the IRMAA brackets, a modest COLA can be almost entirely swallowed by the premium increase.

> *A raise on paper. A pay cut in reality. This is the squeeze almost no projection accounts for.*

NUMBER 6

06

Don't let the tail wag the dog

Here's the balance, because smart planning is *not* about avoiding IRMAA at all costs. Sometimes that's exactly the wrong goal. As the saying goes: don't trip over a dollar to pick up a dime — but the reverse is just as true, and more common in retirement: don't trip over a dime to pick up a dollar.

Consider the window between retirement and age 73, before RMDs begin. Your income may be the lowest it's been in decades — a golden opportunity to convert traditional IRA dollars to a tax-free Roth at rates you may never see again.

Yes, those conversions create taxable income. Yes, they may push you into an IRMAA bracket for a year or two — perhaps an extra $200–$300 a month during the conversion window. But if that move builds hundreds of thousands in future tax-free wealth, ends the RMDs that would have driven IRMAA every year of your 70s, 80s, and 90s, reduces the tax on your Social Security, and protects a surviving spouse — then the IRMAA you paid was simply the price of admission. Cheap admission, at that.

> *The goal isn't zero IRMAA. It's the highest possible net income, for the longest possible time.*

IN PRACTICE · CASE STUDY

Peggy, 63, recently *widowed*

Peggy is 63 and was recently widowed. She has a **$1.2 million** traditional IRA and now files as a single taxpayer — which means her IRMAA and tax thresholds are roughly half of what they were as a couple. She wanted to see how the two-year lookback might play out two ways.

CASE STUDY · HYPOTHETICAL · FIRST RMD AT AGE 73

DO NOTHING	CONVERT OVER ~5 YEARS
~$80,000	~$0
forced RMD → IRMAA most years, up to 85% of SS taxed	Roth has no RMDs → MAGI stays low

Do nothing: her IRA grows to roughly $2.1M by 73. The first forced RMD of about $80,000, stacked on her survivor benefit, pushes her single-filer income into IRMAA nearly every year of her retirement — and exposes up to 85% of her Social Security to tax, for decades.

Convert over ~5 years: Peggy converts to Roth during her low-income early-retirement years. Those conversions create taxable income now, and may bump her into an IRMAA tier for a year or two during the window. But by her 70s the RMDs are gone, her MAGI stays low, her Social Security is largely tax-free, and the recurring IRMAA disappears — leaving a tax-free Roth for her heirs as well.

> *A short, known cost during the conversion window — in exchange for decades free of the ambush. That trade doesn't happen by accident. It happens on purpose.*

THE BOTTOM LINE

Plan for the net, not the gross.

IRMAA was designed for the top one percent. In 2026, it's reaching the middle class — working two years behind your life, invisible until the letter arrives, and falling hardest on the people who saved the most.

One income figure drives three things at once: your income-tax bracket, your IRMAA bracket, and how much of your Social Security is taxed. One number, three consequences. That's why a plan built on gross income is an incomplete plan — and why the income you take, and the buckets you take it from, matter as much as how much you've saved.

TWO HONEST QUESTIONS WORTH SITTING WITH

— *Does your retirement projection actually model IRMAA and Social Security taxation — or just your gross income?*

— *How much of your future income is headed for the only buckets IRMAA can't touch?*

This guide pairs naturally with its companions, *How to Get Your Social Security Tax-Free* and 8 *Keys to Roth Conversions*. The question isn't whether IRMAA will affect you — for many, it already has. It's whether you have a plan that saw it coming. That's a conversation worth having with a qualified professional while the window is still open.

About The Retirement Institute

The Retirement Institute is a non-profit dedicated to financial education for Americans approaching and living in retirement. We publish clear, unbiased guides on the decisions that matter most — taxes, income, healthcare costs, and legacy — so that families can act from knowledge rather than fear. We don't sell products. We teach.

IMPORTANT DISCLOSURES

This guide is provided by The Retirement Institute for general educational purposes only. It does not constitute, and should not be relied upon as, personalized financial, investment, tax, insurance, or legal advice, and it does not create any advisor-client or fiduciary relationship. The case study is hypothetical, simplified for illustration, assumes hypothetical growth, does not reflect any specific individual's situation, and is not a guarantee of future results.

IRMAA is determined by federal rules and is based on Modified Adjusted Gross Income (MAGI) from generally two years prior. The 2026 Part B premium and bracket figures shown are current as of publication, apply per person, are accompanied by a separate Part D surcharge, and are subject to annual change. Verify all current figures at Medicare.gov / CMS.gov. RMD ages and amounts, and the taxation of Social Security, are set by federal law and subject to change.

"LIRP" refers to a properly structured cash-value life insurance policy; tax-advantaged access depends on the policy remaining in force and not becoming a Modified Endowment Contract, involves fees and charges, reduces the death benefit when accessed, and is not suitable for everyone. Roth conversions are generally irreversible and create taxable income in the year of conversion. Consult the Social Security Administration, Medicare, and a qualified tax or financial professional before acting.