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Don't Let IRMAA Drive Your Retirement Plan

Most retirees have never heard the term IRMAA until they enroll in Medicare or begin discussing retirement income planning. Once it enters the conversation, however, it often becomes a major focus. Questions about Roth conversions, capital gains, retirement account withdrawals, and other income decisions suddenly take on added importance because of their potential impact on Medicare premiums.

The concern is understandable. Nobody enjoys paying more than necessary, especially when it comes to healthcare costs. But after helping retirees make these decisions for many years, I've noticed something important: people often spend an enormous amount of time and energy trying to avoid a relatively small cost while overlooking much larger opportunities to save money elsewhere.

To understand why that happens, it's helpful to first understand what IRMAA is, how it works, and where it fits into the broader retirement planning picture.

Medicare charges most people a standard premium for Part B and Part D coverage. However, if your income is above certain limits, Medicare adds an extra charge to those premiums. That extra charge is called IRMAA. In simple terms, people with higher incomes pay more for Medicare than people with lower incomes. One detail that surprises many retirees is that Medicare doesn't

look at what you're earning right now. Instead, it looks at your income from two years earlier. For example, your Medicare premiums in 2026 will generally be based on the income reported on your 2024 tax return.

That two-year delay creates both opportunities and confusion. Retirees often hear that a Roth conversion, a large capital gain, or another one-time income event could push them into a higher IRMAA bracket, and they immediately assume they should avoid it.

Whenever that concern comes up, I usually ask a simple question: compared to what?

That's because avoiding IRMAA is not actually the goal. The real goal is keeping as much of your money as possible over the course of your entire retirement. Sometimes those two goals point in the same direction, but not always.

Let's say you're considering a \$100,000 Roth conversion. Because Roth conversions increase your taxable income, that conversion might cause your Medicare premiums to rise for a year or two. Many retirees stop their analysis right there and focus entirely on the higher premium.

But that's only part of the story.

What if that Roth conversion reduces the size of your future Required Minimum Distributions? What if it helps you avoid higher tax brackets later in retirement? What if it lowers the taxes a surviving spouse may have to pay after one spouse passes away and the household moves from married filing jointly to filing as a single taxpayer? What if it creates a pool of tax-free money that can be used later when taxes are higher?

When you look at the bigger picture, the temporary increase in Medicare premiums may be very small compared to the long-term tax savings. In some cases, retirees become so focused on avoiding a few hundred or a few thousand dollars of IRMAA that they miss opportunities to save tens of thousands of dollars in taxes over time.

That doesn't mean IRMAA should be ignored. Far from it.

There are many situations where managing income carefully can make sense. A retiree selling a vacation home may decide to spread gains over multiple years if possible. A business owner preparing for retirement might have flexibility in how and when a sale is structured. Someone receiving deferred compensation may be able to control the timing of distributions. Widows and widowers often benefit from proactive tax planning before filing status changes lead to higher tax rates.

In each of these situations, IRMAA is an important factor to consider. It deserves a place in the conversation. It just shouldn't be the only thing driving the decision.

The most effective retirement planning happens when you look at all the moving pieces together. Medicare premiums matter, but so do current tax brackets, future tax brackets, Required Minimum Distributions, cash flow needs, charitable goals, and legacy planning objectives. Each decision affects several others, and focusing too narrowly on one number can sometimes lead to a worse overall outcome.

That's why I rarely look at a Medicare surcharge and ask, "How do we avoid this at all costs?" Instead, I ask a different question: "What are we trying to accomplish, and is this cost worth paying to achieve that goal?"

Sometimes the answer is yes. Sometimes it's no. But the answer is almost never as simple as avoiding a line on a Medicare premium chart.

Retirement planning is full of rules, thresholds, and income limits that can seem intimidating at first. IRMAA is just one of many. The retirees who tend to make the best longterm decisions are not the ones who avoid every fee, surcharge, or tax increase. They are the ones who understand which costs are worth avoiding and which costs are worth paying because they lead to a better outcome overall.

That's the difference between managing a single number and managing a complete retirement plan. And in the long run, the plan is what matters most

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