GIBSON CAPITAL

What is "IRMAA"?

(Income-Related Monthly Adjustment Amount)

IRMAA is the **additional premiums** taxpayers are charged for their Medicare Part B and Part D premiums.

Medicare Part B covers non-hospital charges (doctor visits, lab work, etc.).

Medicare Part D is your prescription drug coverage.

Turning 65—when people turn 65 they will apply for Medicare. Premiums charged for the Part D and B coverage vary depending on your MAGI (Modified Adjusted Gross Income). **The more you make, the more you pay!**

If you are subject to the IRMAA penalty, how do you pay it? It's **automatically deducted** from your **Social Security check.**

How much is the penalty? It depends on if you are married or single. The **penalty** (additional premium) can be anywhere from **70%-340%** of the base Medicare premium.

How is the penalty calculated? It's based on your last two years of MAGI this is a rolling two-year window with numbers recalculated every year!

Roth IRA conversion can cause an IRMAA penalty! Roth IRA conversions are very popular. However, since many advisors are NOT familiar with IRMAA, when they run Roth IRA conversion numbers, they do not factor in whether the conversion will trigger an IMRAA penalty.

Wonder if you will have an "IRMAA Penalty"?

The biproduct of many (if not most) advisors (accountants, CPAs, EAs, financial planners, insurance agents, and estate planning attorneys) **NOT being familiar** with IRMAA is that many if not **most consumers are not aware** of IRMAA.

When you are not aware of a potential problem, you can't plan to mitigate or avoid the problem.

Forecasting if you will have an IRMAA penalty is both easy and difficult. It's easy to guess what your MAGI will be in retirement. But it becomes more complicated when you have to also forecast your **future income tax brackets** and **future IRMAA income brackets.**

With the right software, we can both forecast future income tax brackets, future IRMAA income brackets, and even if a Roth IRA conversion will trigger IRMAA.

The chart at the bottom of this page is a hypothetical IRMAA for a 60-year-old couple. Notice the IRMAA penalty really accelerating when they turn 77. The **total IRMAA penalty** over their life expectancy is **over $100,000!**



Want to know if you are projected to have an IRMAA penalty? If yes, contact:

Steve Gibson, CAS

855.289.4443

steve@gibsoncapital.net