

# A Guide for Financial Professionals: Understanding the Income-Related Monthly Adjustment Amount (IRMAA)

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As the year winds down and the days get shorter, so does the window for proactive planning. The final quarter of the year brings a natural pause point for clients reviewing Medicare coverage during open enrollment, evaluating year-end tax strategies, and preparing for changes in the broader retirement landscape. For some, it also brings an unexpected development: increased Medicare premiums.

Each November, the Social Security Administration (SSA) begins mailing notices for the upcoming year's Medicare Part B (medical insurance) standard premium. Along with the annual cost-of-living adjustment (COLA) and the updated standard premium, some beneficiaries receive additional news: their premiums for the coming year will include an income-based surcharge, known as the Income-Related Monthly Adjustment Amount (IRMAA), applied to both Part B and Part D (prescription drug) coverage.<sup>1</sup>

For couples who are both enrolled in Medicare, the effect is amplified: two surcharges, one household, and a clear reminder that effective income management in retirement requires planning well in advance of the two-year lookback.

## Understanding IRMAA

IRMAA is an additional cost charged to higher-income Medicare beneficiaries, applied separately to Parts B and/or Part D. While the standard premium applies to all enrollees, higher-income beneficiaries, as defined by Modified Adjusted Gross Income (MAGI) and tax filing status, pay a higher amount using a sliding scale of percentage-based tables.<sup>2</sup> The Centers for Medicare and Medicaid Services (CMS) released the 2026 [Medicare Parts A & B Premiums and Deductibles](#), including IRMAA brackets by filing status for Parts B and D, on November 14, 2025. The IRMAA thresholds for 2026 apply, in most cases, to MAGI in 2024, unless that data is unavailable; if it is unavailable, SSA uses IRS data from three years prior until the more recent tax return becomes available to determine the amount of IRMAA, if any.<sup>3</sup>

Married beneficiaries often ask whether filing separately when one spouse's income exceeds the IRMAA threshold is a viable strategy to prevent both spouses from paying IRMAA; these individuals should consult a tax professional because the IRMAA table for married filing separately excludes levels 1-3 and jumps directly to levels 4 and 5 if MAGI exceeds the standard premium threshold by \$1.

## The Medicare Subsidy and IRMAA

Most Medicare beneficiaries pay roughly 25% of the true cost of Part B-covered services, as reflected in the standard monthly premium, while the government pays the rest. The additional cost, referred to as the Medicare subsidy, paid by IRMAA beneficiaries is on a sliding scale based on tax filing status and MAGI, increasing to 35%, 50%, 65%, 80%, and 85% at the highest level.<sup>4</sup> It is important to note that breaching a higher IRMAA income tier, even by \$1, will result in the Medicare enrollee paying the standard premium plus IRMAA for their filing status for the year. Therefore, MAGI management is critical to staying safely below a higher tier.

## Two-Year Lookback Requires Proactive Planning

This two-year lookback period often surprises new retirees, especially those moving from high-earning years or who recently experienced a significant one-time income event, such as selling a business or property, or taking a large IRA distribution. Because the calculation is repeated annually, a temporary spike in MAGI that triggers IRMAA in one year, such as selling a vacation home, might disappear the following year once income levels return to normal. Still, financial professionals should discuss with clients the best timing for Medicare enrollment: whether to enroll during the initial period at age 65 or later due to credible workplace coverage, which allows enrollment during a special enrollment period. Knowing the exact year when clients and their spouses, if applicable, will enroll is crucial to identify the two-year window and avoid unexpected IRMAA surprises that neither the plan nor the client is prepared for.

## Defining MAGI for IRMAA

For IRMAA purposes, MAGI = Adjusted Gross Income + Tax-Exempt Interest<sup>5</sup>

Common income sources that elevate MAGI include:<sup>6</sup>

- Wages, tips, and net income from self-employment
- Capital gains
- Dividend and interest income
- IRA and Pension Income, including RMDs
- Business income
- Rental income
- Municipal bond interest
- Taxable Social Security benefits

Because MAGI is broad and includes multiple income sources, even middle-income households can unintentionally exceed IRMAA thresholds, especially if they are unaware of the two-year lookback rule.

## When IRMAA Hits

### Existing Medicare Beneficiaries

Existing beneficiaries usually find out about their IRMAA status in November or December when SSA sends them a [Targeted Cost-of-Living Adjustment Notice](#) (refer to Section B) if their MAGI, based on IRS data from two years earlier, indicates they owe an additional amount on top of the standard Part B and/or D premiums. This initial determination provides the information used to calculate IRMAA (tax year and MAGI amount), as well as steps to follow if the information is incorrect, the tax return has been amended, or a life-changing event has occurred. Once assessed, premium surcharges remain in effect for the entire calendar year unless successfully appealed.

### Newly Enrolled Medicare Beneficiaries

When new Medicare beneficiaries first sign up, they go through a slightly different process. Initially, they will be charged the standard Part B

or Part D premium, without the Income-Related Monthly Adjustment Amount (IRMAA), until the IRS data is received. If the reported income exceeds the standard Modified Adjusted Gross Income (MAGI) threshold, the Social Security Administration (SSA) sends a pre-determination notice. This notice explains that IRMAA will apply, details the information used to calculate it, and outlines the steps to take if the IRS data is incorrect or if data from three years prior was utilized. It also addresses what to do if their filing status has changed or if they have experienced a life-changing event.<sup>7</sup>

It's important to note that no appeal rights are included in the pre-determination notice, since it is not a final decision but rather a notice of planned action. About 20 days after the pre-determination notice, the SSA will send a decision notice. This notice repeats the information from the previous notice and explains the appeal process.<sup>8</sup>

**Planning Point:** High earners often face initial IRMAA (Income-Related Monthly Adjustment Amount) determinations upon retirement. This is because their new enrollment is based on their Modified Adjusted Gross Income (MAGI) from the years leading up to retirement. As a result, higher-income beneficiaries may face IRMAA on their initial premium determination, even if their income has decreased since retiring. Fortunately, there are remedies available, but it is crucial to pay attention to timing and documentation.

## Requesting a New Initial Determination for Qualifying Events

Timing and knowing the proper action to take, given the circumstances, upon receiving an IRMAA notice, are the first steps toward a successful outcome. If a beneficiary disagrees with the MAGI information provided by the IRS, a request for reconsideration may be made using [Form SSA-561](#).<sup>9</sup> However, specific actions qualify for

requesting a new initial determination rather than a request for reconsideration or further appeal:<sup>10</sup>

- A life-changing event (LCE)
- An amended tax return or corrected tax information for the tax year being used
- A request to use MAGI from two years prior, when IRS data used three years prior
- Request to change the tax filing status from married filing separately because the beneficiary did not live with the spouse at any time during the year

## Qualified Life-Changing Events

SSA allows beneficiaries to request a reduction in IRMAA if their income has decreased because of certain life-changing events. Qualifying events include:

- Retirement or work reduction
- Death of a spouse
- Marriage
- Divorce or annulment
- Loss of pension income
- Loss of income-producing property
- Loss of employer settlement payments

[Form SSA-44](#), "Medicare Income-Related Monthly Adjustment Amount – Life-Changing Event," is used to initiate this request.

### *Hypothetical Example:*

Susan (67) retired in October 2025 and enrolled in Medicare effective November 2025 under Medicare's special enrollment period because she had creditable coverage with her former employer. Susan provided proof of her creditable workplace coverage when she initially enrolled to avoid late-enrollment penalties. She completed Section A of Form CMS-L564 and had her employer fill out Section B to submit with her Medicare application.

She expects to receive an IRMAA notice since her earnings exceeded \$250,000 annually before retirement. However, Susan should wait until she receives the new initial determination from the SSA before submitting Form SSA-44 and supporting documents of her life-changing event (retirement). In her case, resubmitting the CMS-L564 or another proof of her retirement will suffice. Failure to submit proof with the form will delay IRMAA adjustments.

Since Susan's retirement was in late 2025, she can request that either her estimated MAGI for 2025 (if low enough due to partial year of earnings) or her 2026 estimated MAGI be used to calculate her Medicare Part B and D premiums, if applicable.

**Important:** Each spouse must submit a separate Form SSA-44, even if the same event affects both individuals. Supporting documentation, such as retirement letters, death certificates, or pension statements, is essential.

Financial professionals can provide significant value by helping clients evaluate eligibility for IRMAA appeal long before initial enrollment, estimate new MAGI, gather documentation, and file SSA-44 promptly. The sooner the filing occurs after the income change, the quicker SSA can recalculate the premium.

**Note:** For requests involving amended tax return information, incorrect IRS data, or using a 2-year lookback instead of a 3-year lookback, do not use Form SSA-44. Instead, advise clients to contact the SSA directly with proof of the amended return and IRS receipt.<sup>11</sup>

## Planning Around IRMAA

Not all income events qualify as life-changing under the Social Security Administration's (SSA) rules. Many common financial planning strategies can trigger the Income-Related Monthly Adjustment Amount (IRMAA) due to a one-year

surge in Modified Adjusted Gross Income (MAGI) that falls outside the appeal guidelines. These strategies include:

- Qualified plan withdrawals
- Sales of real estate or businesses
- Sale of a secondary residence
- Inherited IRA distributions
- Net Unrealized Appreciation (NUA) strategy
- Selling highly appreciated stocks

While these strategies can help achieve tax or investment goals, they might also increase Medicare premiums if not properly coordinated. Medicare beneficiaries have the right to appeal through the reconsideration process and other appeals; however, there is no guarantee of success. Therefore, planning 2-3 years before the initial enrollment is crucial. Including awareness of IRMAA in discussions can help clients avoid unnecessary surcharges.

## Key Action Steps for Financial Professionals

### 1. Identify Exposure Early

Review forward-looking income projections for clients nearing or already enrolled in Medicare. A single spike in MAGI today can affect premiums two years later.

### 2. Educate Clients on the Timeline

Use year-end meetings to explain how current-year income affects future Medicare costs. Most clients are unaware of the two-year lookback.

### 3. Coordinate with Tax Professionals

Align large retirement account withdrawals, asset sales, charitable strategies, and RMD planning with IRMAA thresholds. Minor timing adjustments can help avoid crossing into a higher surcharge tier.

#### 4. Appeal When Eligible

When a qualifying life-changing event occurs, guide clients through the SSA-44 process. Timely filing can reduce or eliminate surcharges.

#### 5. Integrate IRMAA into Retirement Income Modeling

Include projected surcharges in long-term cash flow plans. When clients see the cumulative impact, they are more receptive to income-spreading strategies and charitable planning.

#### Stay Ahead of the Curve

IRMAA (Income-Related Monthly Adjustment Amount) is not a penalty; rather, it is a cost-sharing mechanism that requires higher-income

retirees to contribute more to the Medicare program. However, for clients transitioning into retirement or experiencing one-time income spikes, it can feel like an unexpected tax.

Financial professionals who understand how IRMAA is calculated, when it applies, and how to mitigate or appeal it offer valuable assistance at a time when inflation, taxes, and healthcare costs are already placing significant stress on clients' retirement plans.

As the 2025 open enrollment season concludes and the newly announced 2026 premiums take effect, now is a great time to revisit retirement income strategies, tax coordination, and client education about this often-overlooked yet highly impactful cost.

#### Sources:

<sup>1</sup><https://secure.ssa.gov/poms.nsf/lnx/0601101035> : Section B

<sup>2</sup><https://secure.ssa.gov/poms.nsf/lnx/0601101020> : Section A

<sup>3</sup><https://secure.ssa.gov/poms.nsf/lnx/0601101030> : Section A

<sup>4</sup><https://secure.ssa.gov/poms.nsf/lnx/0601101031> : Section A

<sup>5</sup><https://secure.ssa.gov/poms.nsf/lnx/0601101010> : Section A

<sup>6</sup><https://www.irs.gov/e-file-providers/definition-of-adjusted-gross-income>

<sup>7</sup><https://secure.ssa.gov/poms.nsf/lnx/0601101035> : Section C

<sup>8</sup><https://secure.ssa.gov/poms.nsf/lnx/0601101035> : Section D

<sup>9</sup><https://secure.ssa.gov/poms.nsf/lnx/0601140005> : Section B

<sup>10</sup><https://secure.ssa.gov/poms.nsf/lnx/0601120001> : Section D

<sup>11</sup><https://www.ssa.gov/benefits/medicare/medicare-premiums.html> : Your Tax Return