



Question of the Month – August 2024

T. BRIAN HAYES

“Hello Brian. My wife and I are both 65 and just retired. We are trying to figure out an income plan and how to draw from our different sources of income and savings properly. Some friends of ours said we need to watch out for IRMAA. We have no idea what this. Can you please explain? Thank you.” Terry.

Hello Terry. Congratulations on your recent retirement. Setting up the proper income plan is vital to manage and mitigate taxes and other potential fees. And IRMAA is one of those fees that could cost you a lot of money that you probably did not plan for if you don't design your income plan properly. Unfortunately, most people are not aware of IRMAA, and most advisors are not familiar with this either and thus not helping their clients avoid it.

IRMAA stands 'income-related monthly adjustment amount'. This is a fee you pay on top of your Medicare Part B and Part D premiums if you make a yearly income above the annual thresholds. It applies only to Medicare beneficiaries with a modified adjusted gross income above \$103,000 (individual return) or \$206,000 (joint return). The Medicare IRMAA for Part B and Part D is based on your income and is calculated on a sliding scale. When determining whether IRMAA applies to you, Medicare uses the

adjusted gross income amount reported on your tax return from two years prior.

When people turn 65, they will apply for Medicare. Premiums charged for the Part B and D coverage vary depending on your MAGI (Modified Adjusted Gross Income). The more you make, the more you pay (it's like a progressive stealth tax or penalty)! The penalty is anywhere from 70%-340% of the base Medicare premium.

For 2024, the baseline Medicare Part B premium is \$170.70 per month, per person. If your income crosses the first threshold, even by a dollar, your premium goes up to \$244.60 per month. The cost continues to go up after your income crosses other thresholds. The top threshold would cause your premium to be \$594 per month.

Most of the time, the IRMAA amount would be deducted from your Social Security check. So, as you can imagine, many people are shocked to receive a letter in the mail telling them their Social Security benefit is going to be reduced by a substantial margin if their income crosses those thresholds. So, if you do not have the properly designed retirement income plan, or make some moves to sell some assets or property, you could be shocked in how that cost you a lot of money.

In order to prevent IRMAA from costing you a lot of money in retirement, you need to make sure you have the proper knowledge and education of how the tax code works in



retirement, and also understand all the rules regarding income, tax and IRMAA planning. Most people do not have this knowledge and education and thus need to work with a retirement planning professional with income and tax planning expertise. Fortunately, there are solutions to avoiding IRMAA and other taxes and penalties if you make the proper and strategic moves to balance your incomes and assets properly, and you set up your retirement income plan properly and know how to draw income and assets from your sources properly.

To get more details about IRMAA and also get answers to many more retirement planning questions that have been submitted to us, Join me this weekend on The Retirement Money Matters Show, which airs Saturday morning at 6 on WIBC (93.1 FM), Sunday morning at 8:00 on WWKI (100.5 FM) or anytime online at www.theretirementmoneymattersshow.com. You can also obtain this information by reaching out to us at Hayes Advisory Group at 452-PLAN (7526), 800-939-1603 or brian@hayesadvisorygroup.com.



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T. Brian Hayes is the Founder, Owner, and CEO of Hayes Advisory Group, boasting over 30 years of experience in guiding clients towards their retirement goals. Specializing in pre-retirees and retirees, he ensures clients understand their planning options and tailors strategies to their unique needs. A strong advocate for education, Hayes regularly writes and speaks on financial topics, hosts a weekly radio show on retirement, and instructs for The Prepare Institute, a 501-3 non-profit educational institution. He holds memberships in prestigious financial organizations like The Indiana Network of Estate Planning Professionals and The National Association of Insurance and Financial Advisors. Hayes is a distinguished member of the Million Dollar Roundtable (MDRT), with multiple honors recognizing his professional expertise and ethical standards. Based in Central Indiana, he serves clients across the U.S. and Canada, residing with his wife and three children.