

Get to Know IRMAA: A Key Factor in Medicare Costs



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The Income-Related Monthly Adjustment Amount (IRMAA) is important to understand if you are currently enrolled or soon to be enrolled in Medicare, especially if you have higher income. Below, we will explore some key details that can help you understand how IRMAA may have an impact on your Medicare costs and overall health care during retirement.

Understanding IRMAA

Medicare consists of two primary components: Part A (hospital insurance), which is free for most beneficiaries, and Part B (medical insurance),¹ which requires a monthly premium. Depending on your income, IRMAA may increase your Medicare Part B and Part D monthly payment or premium.

If your yearly income in 2023 was:

FILE INDIVIDUAL TAX RETURN	FILE JOINT TAX RETURN	FILE MARRIED AND SEPARATE TAX RETURN	PART B PREMIUM IRMAA (IN 2025)	PART D IRMAA (IN 2025)
\$106,000 or less	\$212,000 or less	\$106,000 or less	\$185.00	Your plan premium
above \$106,000 up to \$133,000	above \$212,000 up to \$266,000	not applicable	\$259.00	\$13.70 + your plan premium
above \$133,000 up to \$167,000	above \$266,000 up to \$334,000	not applicable	\$370.00	\$35.30 + your plan premium
above \$167,000 up to \$200,000	above \$334,000 up to \$400,000	not applicable	\$480.90	\$57.00 + your plan premium
above \$200,000 and less than \$500,000	above \$400,000 and less than \$750,000	above \$106,000 and less than \$394,000	\$591.90	\$78.60 + your plan premium
\$500,000 or above	\$750,000 or above	\$394,000 or above	\$628.90	\$85.80 + your plan premium

Source: Medicare.gov, "2025 Medicare costs."



NOT FDIC INSURED • MAY LOSE VALUE • NO BANK GUARANTEE

The Surprise Factor

The premiums listed in the chart above are based on your Modified Adjusted Gross Income (MAGI) and tax filing status from **two years prior**. This may come as a surprise if you are retiring and enrolling in Medicare. Your income in retirement may be lower than it was during the years leading up to retirement; however, you could have a higher initial IRMAA due to your MAGI and tax filing status during these last two working years.

Do I Have to Pay It?

Maybe not. If you had a major life change that has altered your income and puts you in a lower IRMAA bracket, you may not have to pay. If you have experienced one of the qualifying life events below, you can fill out a form called SSA-44 to potentially lower your premiums to the appropriate amount.

Qualifications for SSA-44:

- Work stoppage (*i.e.*, retirement) or reduction
- Marriage
- Divorce
- Death of a spouse
- Loss of pension income
- Loss of income-producing property (not through a sale or transfer)
- Employer settlement payment (due to bankruptcy or reorganization)

About 8% of Medicare recipients have an IRMAA adjustment.

Planning Considerations

Social Security

If you are receiving Social Security and are enrolled in Part B, your premiums (including any IRMAA adjustments) will automatically be taken out of your benefits. Otherwise, if you are enrolled in Part B but have not yet received Social Security, you will be paying your premiums out-of-pocket.²

It is important to work with a financial professional as well as a tax professional to understand how these costs could potentially impact you, not just when you first enroll, but also years into and throughout retirement.

MAGI

Certain financial actions can impact your MAGI, potentially leading to an increase in your Medicare premiums through IRMAA. Not only could your premiums increase when you first enroll, but your IRMAA could unexpectedly increase two years after.

Examples of actions that may increase your IRMAA include:

- Roth conversions
- The sale of a primary residence³
- The sale of a vacation/rental property
- The sale of land
- The sale of a business
- Employee stock options
- Capital gain distributions
- Proceeds from the sale of other major assets

Additional Strategies

You may wish to discuss with your financial and tax professional strategies to control the timing and type of taxes you realize:

- Qualified Charitable Distributions (QCD)
- Health Savings Accounts (HSA)
- Withdrawal strategies from retirement accounts
- Tax-diversified portfolio
- Tax planning and managing income
- When to claim Social Security

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The Part D Surprise

If you are enrolled in a Medicare Part D plan for prescription medications, an IRMAA may also apply and would have the same two-year lookback on MAGI and tax filing status as it does for Part B. If you incur a Part D IRMAA, this will be added to your plan's premium. The calculation for the Part D IRMAA is a percentage of the national base premium of Part D plans, which means that you should choose a less expensive plan.⁴ Your IRMAA will not decrease due to that lower initial premium.

Think it Through

The cost of Medicare and health care in retirement can quickly add up, and IRMAAs can be part of this expense. Gaining a clear understanding of an IRMAA's potential impact and planning with your financial professional and tax advisor can help you better manage these costs.

Contact your financial advisor or investment professional for more information or visit mfs.com.

¹ When an individual has to enroll in Parts A and B it will depend on their circumstances. In some cases, individuals can be enrolled in Part A only but decline Part B until the right time. See MFS' Whats and Whens of Medicare for further information.

² If you pay your Part B premium out of pocket, this payment is made every three months. These payments can be made through your online Medicare accounts on demand or via recurring payments, through a bank's online bill pay service, or through the mail via check, money order, credit card, debit card or Health Savings Account (HSA) card. If you receive a bill from the Railroad Retirement Board (RRB), please pay the RRB Medicare Premium Payments center. Source: "How to Pay Part A & Part B premiums," Medicare.gov, accessed September 5, 2025.

³ \$500K of gain on the sale of primary residence for married filing jointly and \$250K for individual filing can be written off from income. Source: "Topic no. 701, Sale of your home," IRS.gov, last reviewed or updated June 25, 2025.

⁴ The 2025 Part D national base premium is \$26.78.

Source: Medicare.gov.

For more information and answers to your questions about Medicare visit medicare.gov.

For informational purposes only. Each person's situation is different. For help determining what role Medicare will play in your financial future, work closely with your financial advisor, or investment professional and local Medicare specialist. They will provide the perspective you need to help you build and maintain a retirement strategy that may work best for you. MFS® does not provide tax, legal, accounting, Social Security, or Medicare advice. Clients of MFS should obtain their own independent tax and legal advice based on their particular circumstances.