

IRMAA: The Sneaky Surcharge That Thinks Your Happy Retirement Party Is Too Loud

By LES BAYS

Ah, retirement. The golden years. You finally get to slow down, travel a bit, maybe even master that TV remote and the timer on the microwave oven. And just when you think you've sidestepped most of life's little financial surprises, along comes something called IRMAA — an acronym that sounds harmless enough until it quietly starts costing you money.

We always heard the rule of thumb: "If you believe you'll be in a lower tax bracket when you retire, save in a pre-tax 401(k) and IRA. If you think you'll be in a higher tax bracket when you retire, save in a Roth." I don't recall anyone telling us in the early 2000s, when our government implemented IRMAA, that the rule of thumb should be modified to consider income taxes AND these surcharges.

IRMAA stands for Income-Related Monthly Adjustment Amount, which is Medicare's polite way of saying, "Hey, you did pretty well this year — so your premiums are going up." If your income crosses certain thresholds, you'll pay more for Medicare Part B and Part D. And just to keep things interesting, those premiums aren't based on what you're making now — they're based on what you made two years ago.

So, your 2024 income is what determines your 2026 Medicare costs. It's like a financial rearview mirror that still somehow manages to hit you head-on.

Where people really get tripped up is how those income thresholds work. They aren't gradual. There's no gentle slope upward. Instead, they're more like cliffs. Go even a dollar over the line, and suddenly you're bumped into the next tier with higher premiums. It's less of a nudge and more of a trapdoor.

The IRMAA thresholds are based on two-year-old Modified Adjust Gross Income (MAGI), while federal income tax brackets are based on taxable income of the tax year. The difference between the two is mostly your standard or itemized deductions, which are applied to reduce federal tax, but not IRMAA thresholds.

A lot of the usual retirement-income sources can push you into those higher brackets without your even realizing it at first. Required minimum distributions (RMDs), for example, start kicking in at a certain age, forcing you to pull money out of your pre-tax retirement accounts whether you need it or not. That added income can increase your taxes and bump you into higher IRMAA territory at the same time — kind of a double hit.

Then there are capital gains. Selling an investment you've held for a while might feel like a smart move, but that gain can count toward your income and could trigger higher

Medicare premiums. Timing really matters here, because one big taxable sale in a single year can affect your Medicare costs two years later. If the gain is large enough, you might also run into the Net Investment Income Tax, which most people have never even heard about. NIIT is an extra 3.8% tax layered on top over certain income levels.

Roth conversions are another interesting piece of the puzzle. Done strategically, they can be incredibly helpful long-term. But in the short term they increase your taxable income, which can push you into IRMAA territory. That doesn't mean you should avoid them — it just means they need to be planned carefully, ideally during lower-income years.

Strategic planning for Roth conversions can really help retirees in years prior to turning age 63, since that is where the IRMAA two-year lookback period would begin for someone planning to start Medicare at age 65. Before the tax year you turn 63, you might just look at the chart showing the federal income tax brackets, without having to worry about impacting IRMAA those years. People might want to use the "fill up your tax bracket" method of Roth conversions. Discuss this with your financial adviser.

Even one-time events — like selling a business, a property, or receiving a large bonus — can create a temporary spike in income that triggers IRMAA. The frustrating part is that Medicare doesn't really care that it was a one-time thing. The good news is that if the spike was tied to a major life change, like retirement or the loss of a spouse, you may be able to appeal and have your premiums adjusted. The major life changes are listed on the appeal form SSA-44.

The good folks who run Medicare should let you know by mail late in each calendar year if they plan to charge your IRMAA surcharges in the following year. You might want to log onto [medicare.gov](https://www.medicare.gov) toward the end of the year to see if they have those plans for you, if you don't trust snail mail any more than I do.

Filing status plays a major role. Married couples filing jointly get higher income thresholds, which gives them a bit more breathing room. Single filers hit those limits much sooner. If someone is recently widowed, this can come as a tough surprise — suddenly the same income is being measured against much lower thresholds, which can lead to higher taxes and higher Medicare premiums at the same time.

All of this is why planning ahead really matters. One of the simplest strategies is smoothing out your income — avoiding big spikes by spreading things like withdrawals, Roth conversions, and asset sales over multiple years. Think of it like pacing yourself instead of cramming everything into one season.

Roth accounts can also be a powerful tool here. Withdrawals from Roth IRAs don't count toward your income for IRMAA purposes, which makes them incredibly valuable in retirement. They're one of the few ways to generate income without it "showing up" on that Medicare radar. Remember that there are several "five-year rules" for Roth accounts. If you've never had a Roth account, you could start one with a small amount of Roth conversion, and it will start one of the five-year clocks ticking for purposes of future withdrawals.

If you're charitably inclined, qualified charitable distributions can also help. By donating directly from your IRA, you can satisfy your RMDs without increasing your taxable income or MAGI, which can keep you below those IRMAA thresholds.

You must be at least 70½ years old. This is a strategy where "you don't handle the check." It should go directly from your account to the eligible charity (church, foundation, etc.), so that you don't pay taxes on it and it doesn't add to your MAGI. Again, discuss this with your financial adviser and/or brokerage.

Another key piece is simply being intentional about where your withdrawals come from. Pulling money from the wrong account at the wrong time can unnecessarily increase your income. A coordinated approach — using a mix of taxable, tax-deferred, and Roth accounts — can help keep taxes and Medicare premiums in check.

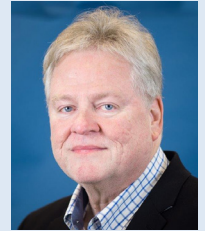
Of course, sometimes IRMAA is just unavoidable. Even with the best planning, there are years when your income will land you in a higher tier. When that happens, the goal shifts from avoiding it entirely to managing how much it impacts you — trying not to jump into a higher bracket than necessary and thinking in terms of multiyear strategies instead of just one year at a time.

And that brings us to the bigger picture. As frustrating as IRMAA can be, it shouldn't drive every financial decision. Avoiding it at all costs can sometimes backfire — like skipping a smart Roth conversion now, only to face much larger required distributions (and higher premiums) later. Sometimes paying a little more today can save you quite a bit down the road.

Nearing the end of this article, if you read this far, it's time to let you know this: IRMAA is likely to affect only a minority of TVA retirees. Nationwide, it reportedly affects only around 8% of the people on Medicare. I would guess TVA retirees are a higher percentage than that, due to most having a pension with COLA, Social Security with COLA, and often pre-tax 401(k) and IRA balances to be taxed on the IRS's schedule because of RMDs. It's also true that a lot of TVA retirees continue working as contractors and perhaps business owners.

One concern I have for retirees is a transition from joint filers to widowed filers, often with the same pension income,

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This article is for educational purposes only. It is not financial, tax, or legal advice. Everyone's situation is different, and IRMAA planning can get complex quickly. Use this and the two charts on the linking page as a conversation-starter with your financial, tax professional, or retirement planner — preferably someone who speaks fluent acronym.

the larger Social Security income, but still the same 401(k) and IRA balances to have to pay taxes on at some point. Compare the joint filer chart to the single filer's chart at <https://mytvara.org/wp-content/uploads/2026/05/2026-IRMAA-Filing-Single-and-Married.pdf> and you can see how it could easily affect a single widow or widower who avoided IRMAA when filing jointly, but is now in a higher single tax bracket and is at a greater risk of paying IRMAA surcharges or a higher tier of these surcharges.

Concluding, IRMAA is just one piece of a much larger puzzle. It's complicated, extremely annoying, and, yes, it can feel like a penalty for doing well. But with some thoughtful planning, you can reduce how often it comes into play and limit how much it affects you if and when it does.

Please don't take my word for it. I am certainly not legally qualified to give financial advice. I did create the two charts and invite you to try to find any mistake and let me know what you found.

THIS IS A GREAT TOPIC YOU SHOULD TALK THROUGH WITH A FINANCIAL AND/OR TAX ADVISER, ideally one who can translate all these acronyms into plain English without making your head spin. You may want to print the article's single and joint charts and take them with you and see if they can explain them, if needed.

For example, "Do I want to Roth-convert up the One Big Beautiful Bill Act (OBBBA) starting point (extra \$6,000 Senior deduction for four years), or the top of the 12%, 22%, or 24% bracket? Do we dare anticipate what the IRMAA MAGI tier trigger points will be two years hence in order to reduce surcharges in future years?" How would they advise you?

Final note: The single and joint charts I prepared show the 2026 Federal Tax Brackets at the bottom, the OBBBA extra \$6,000 Senior deduction (2026 MAGI) phaseout range, the IRMAA trigger points from MAGI from 2024, then the IRMAA

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surcharge tiers and exact extra amounts being paid in 2026 on Medicare Parts B and D.

They apply, whether you are on a Supplement (Medigap) or an Advantage plan, as long as you are paying for Medicare B and/or D. The charts may help some people decide if they want to perform some Roth conversions this year, with all the ranges, phaseouts, and trigger points in mind. It is not possible at this time to know exactly what the 2026 thresholds will be that will trigger IRMAA on your 2028 taxes.

If you try to guess too closely and go over by just one dollar, the IRMAA surcharge will be triggered. RMDs, capital gains, and Roth conversions, as well as routine withdrawals from pre-tax accounts, can all trigger IRMAA penalties, starting with the year you turn 63, except the surcharges show up two years later.

People prior to the year they turn 63 if they are going on Medicare at 65 may decide to more aggressively perform Roth conversions, since they might only have the tax brackets to worry about. Please be careful to get good advice. There is much more to be discussed about IRMAA, perhaps in a later article. If you want more, tell your chapter presidents you'd like another article on IRMAA to learn more about it, and they can let me know.

I hope you have the best retirement possible!

SAVE THE DATE!

The annual TVA Retiree Appreciation Luncheon is coming up on Sept. 11 at the Chattanooga Convention Center.

Registration begins at 10 a.m., doors open at 10:30 a.m., and lunch is served at 11:30 a.m.

Please note that registration this year is ONLINE ONLY and will be open from June 1 to Aug. 21.

Secure your spot by visiting TVA.com/retireelunch. We look forward to celebrating with you!