



# SOCIAL SECURITY ADVISOR

## Social Security Planning for Retirement

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### Avoid an Unexpected Visit from IRMAA

For retirees, healthcare costs continue to be among their largest expenditures. What's more, many clients assume — *incorrectly* — that Medicare will cover most, if not all, of their post-career medical bills.

According to Healthview Services' "[2019 Retirement Healthcare Costs Brief](#)," a healthy 65-year old couple living to ages 87 (male) and 89 (female) can expect to spend over \$600,000 for healthcare during their lifetimes. That assumes a 4.9% annualized healthcare inflation rate. Indeed, such couples are expected to spend over 40% of their Social Security benefits on healthcare at the onset of retirement, rising to nearly 75% of benefits by their mid-80s.

For higher income retirees, healthcare may be even more costly, as this report specifically excludes any additional costs due to income-related monthly adjustment amounts (IRMAA), which boost Medicare premiums. Fortunately, Medicare beneficiaries can reduce or even eliminate IRMAA intrusions with savvy advanced planning.

from IRMAA, in the form of steep premium surcharges.

With modified adjusted gross income (MAGI), which adds tax-exempt interest income to basic AGI, above \$87,000 for singles or \$174,000 for joint filers, enrollees will pay the 2020 standard premiums plus the surcharges according to the chart, "Monthly Medicare Premiums for 2020," on page 4 of this issue. Note the two-year lag from income to IRMAA: MAGI from 2018, reported on a tax return filed in 2019, sets up IRMAA premiums scheduled in 2020. And so on, year after year.

Consequently, a retired married individual who had 2018 MAGI above \$174,000 can expect to pay the standard Part B monthly premium plus anywhere from \$57.80 to \$347.00 — *times two if both spouses are Medicare enrollees!* Some couples could pay an additional \$8,328 a year to get the same federal health insurance that other seniors receive.

Seniors should keep in mind that the IRMAA surcharge tiers are "cliff" thresholds, and even one dollar into the next tier pushes enrollees into the higher surcharge. Thus, a single filer with 2018 MAGI of \$87,000 will pay the standard \$144.60 a month for Part B, but someone with MAGI of \$87,001 would be paying an additional \$57.80 per month this year.

#### Introducing IRMAA

Most Medicare beneficiaries pay the standard monthly premiums for both Medicare Parts B and D in 2020: \$144.60 and \$32.47, respectively. However, higher income enrollees may be subject to unwelcome visits

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